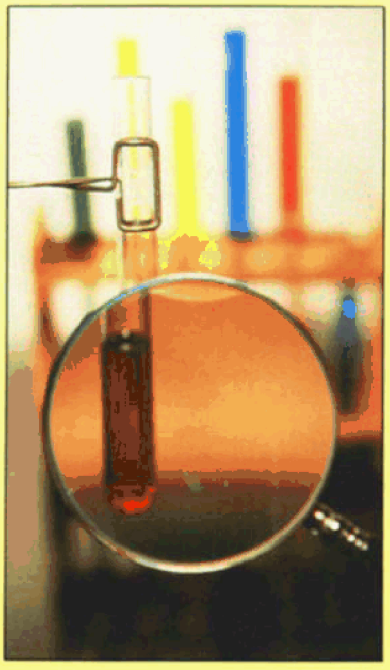
reason

Free Minds and Free Markets / May 1984 / $2.00

THE BUREAUCRACY THAT WON'T DIE

Behind the Cancer Terror

In the course of five years of research and writing, I discovered a cultural crime which should not be possible in a free society: a complex corruption of science and a prolonged deception of the public. The crime emerged from the sciences of environmental cancer and cancer prevention, and it has all the superficial characteristics of "The Purloined Letter": It has been committed under our very eyes, its details are publicly recorded... (Continued on page 22)



By Edith Efron

- *Too Much Savings for Reagan?*
- *Debunking Debt Doomsaying*
- *The Age-Old Drinking Debate*

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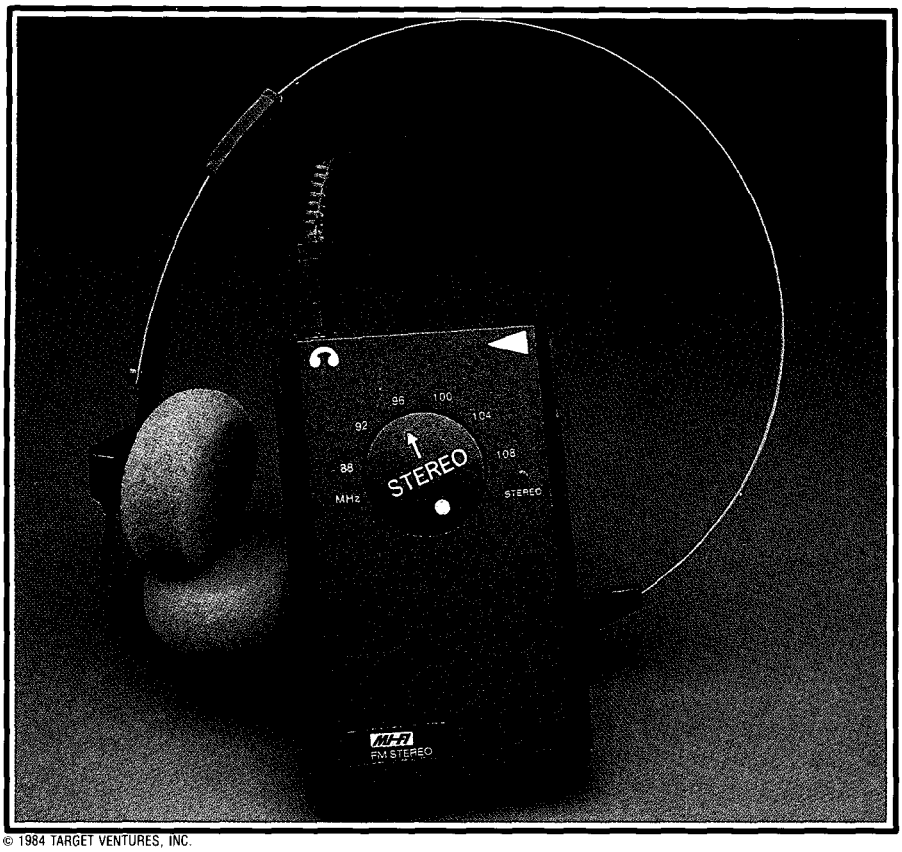

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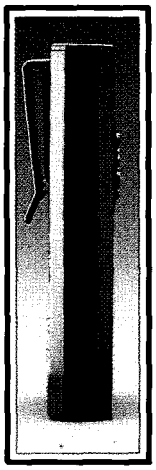

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SPECIFICATIONS:

Frequency Range: 88MHZ - 108MHZ
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S/N Ratio: 45db
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THD of Amplifier: Less than 1%
Power Out: 30 mW per channel
Frequency Response: 330HZ - 15KHZ
Power Source: 2 "AAA" batteries (not included)
Dimension: 3½"H x 2¼"W x 9/16"W
Weight: 2.7 ounces

And 30 milliwatts per channel bring you "driving" stereo sound WITHOUT minimizing the impressive 18-24 hour playing time you can expect from the STEREO's 2 "AAA" batteries (not included).

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At less than 3 ounces, the MI-FI SHIRT POCKET STEREO is practically "weightless"! Yet its outstanding features make for EASY, INSTANT operation!

The new, stronger, more durable case is as handsome as it is protective. Its thumbwheel volume control and precision FM tuning dial provide sensitive response. The LED lighted stereo indicator lets you "browse" through the FM band and then lock onto a desired stereo transmission. A handy, top-mounted headphone jack can also be used as an output to full-sized amplified speakers. So you can use the MI-FI SHIRT POCKET STEREO in place of a large stereo receiver . . . to provide a roomful of d-y-n-a-m-i-c listening enjoyment!

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The astonishing compactness of the MI-FI SHIRT POCKET STEREO brings you a limitless range of listening opportunities.

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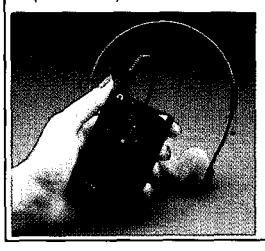

- ***LED lighted stereo indicator.***
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MAY 1984/VOL. 16, NO. 1

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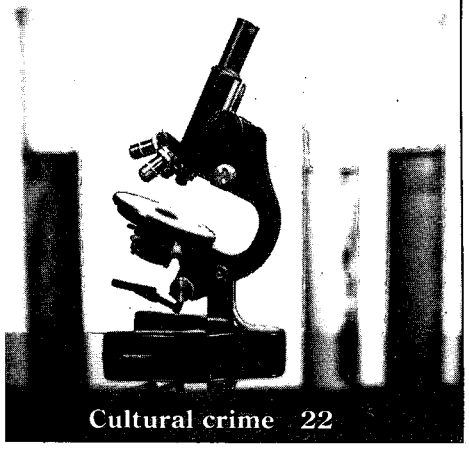
Free Minds and Free Markets

FEATURES



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BEHIND THE CANCER TERROR
What chemicals really should be banned for causing cancer? A field of science that could be giving us a lot of answers has paralyzed itself with ideology.
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Why some would like us to believe that there's an international debt crisis—and how Congress just might create one.
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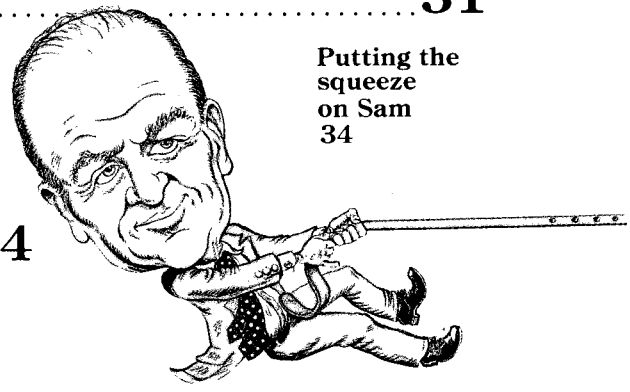

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As the idea of a national legal drinking age of 21 gathers momentum, individual liberty is all but forgotten.
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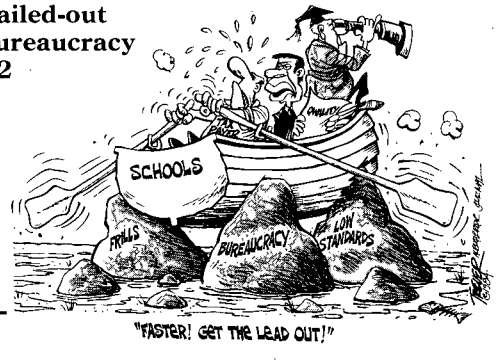

"FASTER! GET THE LEAD OUT!"

AN EDUCATION IN EMPIRE BUILDING
President Reagan came into office pledging to ax Jimmy Carter's Department of Education. So why is the bureaucracy alive and well and thriving in Washington? Here's the inside story.
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NOTEs

REASON is now on the air in 155 cities. To be more precise, it's the Reason Foundation's new public affairs radio program, *Perspective on the Economy*, that is being heard daily—on KFSG in Los Angeles, KNBR in San Francisco, KASA in Phoenix, KIKI in Honolulu, WIAN in Indianapolis, KSGL in Wichita, WUCF in Orlando, WCRB in Boston, WDTR in Detroit, WCSB in Cleveland, KOCC in Oklahoma City, WDUQ in Pittsburgh, KTCU in Fort Worth, KXL in Portland, KBLE in Seattle, and more than 100 other stations. (Write to us in Santa Barbara, and we'll let you know the nearest station for your area.) *Perspective* provides a one-minute commentary on a different economic issue each weekday, by one of five commentators: Tom Hazlett, John McClaughry, Jennifer Roback, Rich Wilcke, and myself. If you'd like your favorite station to start broadcasting *Perspective*, write to us for a brochure to pass along (or have the station write).

The magazine you're reading was the nation's fastest growing magazine of ideas during 1983. That's the finding of the Alternative Educational Foundation, which reviewed the 1982 and 1983 publisher's statements filed by 33 current affairs/opinion magazines, left, right, and libertarian. Of all of them, REASON had the largest increase in paid circulation—16.7 percent. Many of the others lost circulation in 1983, including *Mother Jones, The Progressive, Inquiry, Human Events, Commentary,* and *National Review.* Our loyal readers have stood us in good stead.

Sam Cohen's controversial March issue cover story on a nuclear wall against war for Israel has generated a lot of mail from readers (see page 8). It has also generated considerable media attention, from as far away as the London *Daily Telegraph* and the *Jerusalem Post.* Cohen has done interviews with a number of radio stations, including KXL in Portland and WXYZ in Detroit. And *Harper's* is reprinting a condensed version of the article. Cohen also had an incisive review of Harold Willens's book, *The Trimtab Factor*, in the *Wall Street Journal.*

Correction: In the March editorial we missed a typographical error and thus reported that the Social Security program contributes $17 billion a year to the federal government's budget woes. In fact, it's a *$117-billion-a-year* (and growing) headache.

—R.W.P.

REASON's next issue will be a special double issue—and the annual financial issue, now an 11-year-old tradition. Expect it in your mailboxes in June, with such delights as an interview with "international man" Doug Casey, advice on avoiding gold and silver scams, stock market tips from William F. Rickenbacker, the debut of REASON's new Money columnist, and much more. Plus all of REASON's regular features and departments.

This month's cover story is excerpted from a fascinating new book by Edith Efron. After a comedy of errors on the part of the USPS, the page proofs finally arrived in February and I took the 500-odd pages home for the weekend to "skim through" for a possible excerpt. Once I picked up the book, I could hardly put it down. *Skimming* was out; the book is not light reading, but the appalling story told by Efron propelled me from one page to the next.

Then came the difficult task of selecting a particular section of the book for our readers' enlightenment. Ms. Efron calls the book a detective story, and in a very real sense, it is. Because the case builds as the story progresses, sections early in the book didn't seem to offer enough, standing alone, and sections later in the book are woven around interlocking clues, constantly reaching back to the evidence laid out piece by piece in the earlier chapters.

In conjunction with the author, we settled on one of the later chapters, trusting that readers would rather mull over a substantial piece than get a taste of the book from lighter fare. The article, which begins on page 22, takes up a controversial issue that is crucial to the science of cancer prevention. What is at stake, we leave the reader to discover.

Edith Efron is no stranger to REASON's pages. For a time, she was a regular Viewpoint columnist, and in 1975 we published an insightful article of hers, "The Free Mind and the Free Market," that was later to inspire the "tag line" that goes hand in name with the name *REASON.* We welcome Edith back.

—M. Z.

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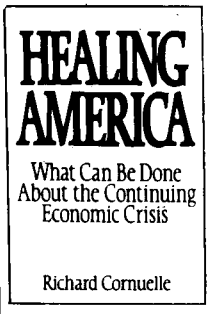

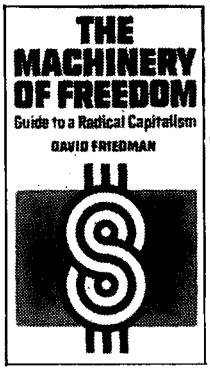

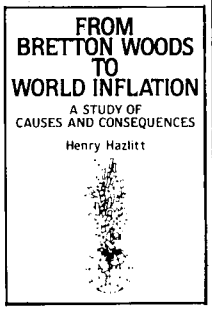

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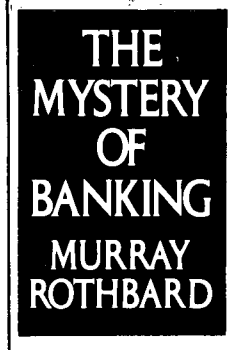

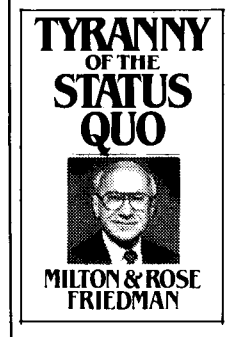

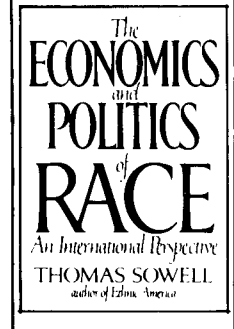

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EDITORIAL

Robert W. Poole, Jr.

Prop Up Steel?

The big steel companies are up in arms again. For the past several years they've been sounding the alarm about the evils of imported steel. Not that it's defective or overpriced, mind you—only that it's foreign and therefore ought to be prohibited, at least to some who want to buy it.

Big steel's latest cause célèbre is the Justice Department's new-found hostility to mergers among the industry's largest firms. According to the department's mathematical formulas, the initial merger plan of Republic Steel and LTV would have made the domestic steel industry too "concentrated" in the hands of big firms. But if mergers are prohibited, say big-steel executives, the only alternative to wrenching bankruptcies is tougher protectionist measures against imports.

What sense can we make of these arguments?

First of all, it's true that the big steel companies are in terrible shape. The seven largest steel firms lost $6 billion over the past two years. But part of the blame can be laid at their own feet. For a variety of reasons (including the shift to smaller, lighter cars), world demand for steel has been declining ever since 1973. Yet until very recently, the big steel companies failed to adjust. They kept in service patently inefficient, obsolete plants and kept granting wage increases twice as high as in other industries, thereby pricing themselves right out of the market.

What led the steel companies to such irrational decisions? In a word, *protectionism.* Since 1969 there have been various forms of government intervention aimed at limiting imports, and this has allowed big-steel executives the illusion of business as usual. Nonetheless, as each new barrier against Europe or Japan was erected, a Korean or Brazilian company, with even greater cost advantages, would enter the US market offering steel users a better deal. Just since 1979, imported steel's market share has climbed from 15 percent to over 20 percent. The big steel firms have belatedly had to shut down huge amounts of excess capacity, laying off some 40 percent of their work force in the process.

The steel giants like to blame their problems on governments. They cite US government funding of World Bank and Export-Import Bank loans to help Third World firms build modern steel mills, and they cite further subsidies by the governments of those countries. All those subsidies *do* account for a portion of foreign steel's cost advantage. But when US steelworkers demand $23 an hour while Koreans are willing to work for $3, it doesn't take a genius to figure out who's going to produce lower-cost steel.

The subsidy argument is irrelevant, anyway. What difference should it make *why* Brazilian or Korean steel costs less—the bounty of nature, cheap labor, or their government's subsidies? (The taxpayers of Brazil or Korea have a legitimate gripe about the use of their money, but that isn't *our* problem.) Shouldn't consumers of steel be free to get the best deal they can?

Moreover, the idea that American companies *cannot* compete with imports is contradicted by the growing success of the so-called minimills, which are doing just that. Nucor, for example, entered the West Coast market for steel bar products in 1981. At that time, Japanese firms had some 50 percent of that market. Today, their share is down to 15 percent, while Nucor has won more than 50 percent.

Nucor's secret is much higher productivity. It is building specialized rather than general-purpose mills—for $300 to $400 per ton of annual capacity, compared to over $2,000 a ton for conventional mills. Even more impressive is Nucor's labor situation. It has kept its mills nonunion and thereby free of inefficient work rules by providing an extensive system of production bonuses, profit sharing, and fringe benefits. Its employees are among the world's best-paid steelworkers, with a turnover rate of virtually zero. The result? Nucor turns out 850 tons of steel per employee, compared with big steel's average of 350 tons per employee.

That kind of "reindustrialization" is the future of US steelmaking. But it only comes about under the spur of open competition. Remove the competitive threat of foreign steel, and the dinosaur companies will have no real incentive to face the realities of their obsolete facilities; too-large, overpaid work forces; and restrictive work rules.

Seen from this perspective, the Justice Department's resistance has a certain perverse logic to it. In calculating the effect of the proposed LTV-Republic merger on the US steel industry, the antitrust watchdogs in the Justice Department excluded European and Japanese imports, looking only at the share of the market held by US firms. Those imports are restricted by quotas, you see; so if a merged firm were to engage in monopolistic pricing, this would not lead to competitive responses from European or Japanese producers. But this just shows the perversity of government protectionism.

In principle, of course, it should not be the business of government to use the force of the law to prevent the shareholders of two companies from engaging in the voluntary transactions that constitute a merger. But it is also not the business of government to use force to prevent willing buyers from purchasing steel from willing sellers—even foreigners.

The big steel companies have been caught in a trap of their own devising. They wanted big government, all right, and now they've got it, good and hard. One can hope that maybe now, with their survival at stake, they will realize what a bad deal big government turns out to be.

In today's deregulatory climate, there might well be political and popular support for a new kind of deal for big steel: no restraints on mergers in exchange for no restraints on imports. The only losers would be a fraction of today's steelworkers who are redundant—but they will be laid off sooner or later anyway. The winners would include the remaining steelworkers and stockholders of revitalized, high-tech steel firms, as well as everyone who would benefit from lower steel prices—and that means essentially all of us.

Robert W. Poole, Jr.

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Letters

Problems of Static Defense

Ordinarily I have a great deal of respect for the ideas of Sam Cohen. However, I think the idea he presented in "Wall Against War" (March) has some serious flaws.

If his pipes of radioactive solution are to be of any value, they must be exposed on the surface of the ground. That means they are *vulnerable.* Enemy artillery attacks will no longer be directed only at towns inside Israel. The pipes themselves will become targets for attack. Every time they are breached, there will be a radioactive spill. Even if the pipes are equipped with automatic shut-off valves every hundred yards or so, *some* quantity of radioactive solution will be spilled. Repairs cannot begin until the pipes on either side of the breach have been drained and the spill itself has decayed for 6 to 8 half-lives. During this waiting period, an entire pipeline loop will be out of service. Meanwhile, the enemy will have ample time to sight in his artillery on the breach, to be used when the repair crews show up.

Worse yet, if a pipeline loop is breached at two places, the section of pipeline between the breaches will drain and leave a gap in the barrier. An armored column might well punch through that gap before adequate defenses could be mustered.

Dr. Cohen's idea has all the classic problems of a static defense. Once in place it is very difficult to modify, yet the enemy has ample time to study its vulnerabilities and tailor his offensive to them. Even if the specific vulnerabilities I mention were eliminated by clever design, there are certain to be others.

The basic problem with Dr. Cohen's idea is that it is a technical solution to a political problem. The generations-long history of fighting on the eastern shore of the Mediterranean implies that no technical fix can last long enough to do any good. Only a genuine political solution can ultimately solve a political problem.

Joseph P. Martino
Sidney, OH

Amoral Techno-Worship

REASON has at last outdone itself in amoral techno-worship with Sam Cohen's "Wall Against War." Despite some perfunctory references to the Palestinians and the need for Israeli concessions, Cohen's proposal for a wall of deadly nuclear radiation around Israel's borders (which borders, exactly?) runs contrary to any consideration of justice based on individual rights. In practice, such a "defense" would enable Israel to continue its policy of stonewalling the Palestinian property-rights issue and pressing for the remainder of Greater Israel. Cohen boasts that his plan would keep "terrorists" out of Israel. Nowhere does he acknowledge that many Palestinians sneaking into Israel hold just title to land there. But they are prohibited from returning.

While the death ray would deter a ground attack against Israel, it would not, contrary to Cohen, preclude Israeli ground attacks against, say, Lebanon. Israel could turn off the juice whenever it wanted to, just as Cohen proposes it do along the Egyptian border.

His description of Israel as "a progressive democracy in the midst of undemocratic Arab neighbors" apparently is the key to Cohen's outlook on the Middle East and, hence, his Wall Against War idea. The view that Israel is the only nation like "us" in the Middle East has been a powerful magnet for support of Israel. But there has been nothing progressive or democratic about Israeli treatment of the Palestinians driven from their land or those on the West Bank and Gaza since 1967. Construction of the wall would serve the Israeli hawks' most malign purposes. American help in building it would reinforce the US government's role as accomplice.

Sheldon L. Richman
Springfield, VA

A Device of Repression

Sam Cohen proposes to defend Israel by turning its borders radioactive. This idea is outrageous and dangerous.

Despite Cohen's tedious argument to the contrary, I call the radioactive border a weapon.... It's true that the radioactive wall doesn't initiate force. But the "crime" of crossing one of the borders of Israel is too trivial to ethically justify the retaliatory use of force (death within an hour) that would result.

The wall's inherent liabilities far outweigh its defensive nature. First and foremost, it permanently freezes the arbitrary present borders of the state of Israel....Second, the proposal makes the earth itself lethal. The radioactive wall, like the death penalty and nuclear weapons, strikes me as a power we should never choose (have chosen?) to give our governments....2,000-yard-wide lethal zones are not a good legacy to leave to the archaeologists and survivors of tomorrow.

You warn that Israel could use the technology to make captives of its citizens. Every government could. The United Nations would presumably delight in the worldwide deployment of nuclear walls; they would freeze the status quo and make it easier to administer universal government. Instead of Israel, a better first test of this technology springs to mind: Fortify the Berlin Wall. Wouldn't that further the cause of peace?

Of course, Cohen argues for a move from offensive to defensive weaponry, and for the United States to disengage itself from policies that might ignite World War 3. These are excellent points. But they don't justify the nuclear wall, nor do the semantic arguments and technicalities in the article. It is a device of repression whose incidental effects toward peace would be gotten around. It is a direction in which the world should not continue moving.

James Spike
Nashua, NH

Walling Europe

May I be among the many to ask the obvious question: Why not a nuclear wall against war across Europe, too?

Bob Fauvre
Eugene, OR

Mr. Cohen replies: I would like to make two points in response to my critics. First, I suspect that those finding fault with the technical and military aspects of the concept have not seriously pursued the matter in technical and military detail. Certainly, those details were not presented in my article, although I do cover them in a book-length treatment I have written. Were such critics to perform an in-depth analysis, as I have done, and assuming they are qualified to do so, I would be delighted to review their findings. But until they present such

findings, I stand by my article.

Second, to those finding moral and political fault with the concept, each of us, of course, has his own opinion on these matters. I have mine, and I would not deign to argue with theirs. However, in my opinion, the greatest moral and political disaster the Middle East can suffer is to go on fighting more Israeli-Arab wars. If the nuclear barrier I have proposed can put an end to this wretched pattern, it seems to me that this would outweigh by far the deficits my critics find.

Finally, there is the question, Why not a nuclear wall against war in Europe, too? When I first came up with the concept (almost 20 years ago) I had NATO defense primarily in mind. However, when I attempted to interest the Defense Department in the concept, the indifference was total: it was *nuclear.* I'm afraid this attitude still holds for NATO's defense.

The Toll of Tyranny

In your March issue (Letters), Ralph Raico questioned Tibor Machan's figures (cited in his "You Can't Have Marx Without Stalin," Oct.) on the number of people in the Soviet Union who were the victims of the Soviet tyranny. Two recent books, *The Time of Stalin* by Anton Antonov-Ovseyenko and *Stalin's Secret War* by Nikolai Tolstoy, have updated earlier figures on this. Ovseyenko's are particularly interesting because he writes from Moscow and has access to files that are inaccessible to outsiders. After a long discussion he concludes (p. 307), "In the civil war, 18 million people died as a result of the fighting, the 1921-22 famine, and the repression. The collectivization of agriculture, 'dekulakization,' and the repression and famine associated with those events cost the lives of 22 million people. In the period 1935-41, 19 million were arrested. The war against Hitler's Germany cost the victors 32 million lives. The repressive operations that were continued during the war and postwar periods (1941-53) took the lives of another 9 million. This adds up to *100 million.* Not all those arrested in the repressive campaigns perished, but nearly all."

Solzhenitsyn, who has tried to keep an accurate account both during and after the writing of his monumental three-volume work *The Gulag Archipelago,* estimates that between 1918 and 1959 *the labor camps alone* claimed 70 million lives (*From under the Rubble,* p. 119)—roughly 11 times the number who perished in Hitler's camps. Since Ovseyenko's figures go only to 1953 and Solzhenitsyn's to 1959, neither includes the many deaths that have occurred since then and continue to occur under the Soviet system.

John Hospers
Los Angeles, CA

Undercutting the Communications Czars

I was pleased with Joseph Martino's article on satellite TV broadcasting ("Signal Victory for the First Amendment?" March). It was interesting and informative; however, it left some blank spots. For instance, what authority does the Federal Communications Commission presume to have over satellite broadcasts? Neither the FCC nor the US government owns the ring of space used by geostationary satellites.

What if someone who wishes to put a satellite fails to get permission from the FCC—will NASA not give him space in a launch? (In this case, what about private launch vehicles or vehicles of other countries, such as France, Japan, or the USSR?) And what power would the FCC have to regulate the output from such satellites? (For that matter, Russia would be hard-pressed to regulate or block the signals from broadcast satellites beaming messages to its citizens. The statists there should be very worried over the prospect of losing control over their people's minds.)

It would seem that the FCC's control is more nebulous than even Mr. Martino suggests.

Frank J. Germann
West St. Paul, MN

The Voucher Illusion

Regarding the January article "Who Says Vouchers Wouldn't Work?": My compliments to John McClaughry for

(Continued on p. 63)

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brickbats

Vineland, New Jersey, officials thought they had painted colorful Albert Pagano into a corner. But the rugged individualist turned out to be somewhat of an escape artist. Busybody housing inspector Gustavo Serrano was searching for eyesores at the City Council's behest. He ordered Pagano to clean up his property and paint the outside of his house, or face a $300 fine and possible jail term. So Pagano drenched the vacant home in shiny black enamel paint that glows on a sunny day. A bright red trim and pale green porch provided the finishing touches. "We can only make him paint it," laments housing commissar Serrano. "We can't stop him from painting it his way."

Accepting responsibility for one's own acts is about as fashionable as fox-trot lessons. First, there was the fellow who jumped in front of a New York subway train in an effort to end it all. His suicide attempt failed, so he sued the Transit Authority for negligence in not stopping him from jumping and won a huge award. Now a teenager in Media, Pennsylvania, is suing the Sony Corp. for $80,000 because he was hit by a car he didn't see or hear barreling down the road while he was wearing a Walkman. He says Sony should have recognized "the inherent immaturity of minors" and warned him about the device's "unreasonable danger."

Linn Cowick of Wichita, Kansas, came up with an idea to make a profit out of keeping drunk drivers off the roads. For a $20 fee, her Underground Delivery Service will drive the drunks and their cars from anywhere within five miles of the customer's residence. But Wichita officials just can't let a good thing be. They're insisting that Ms. Cowick apply for a taxi permit. If she operates the service without one, she could be fined $100 for each ride. Ms. Cowick refuses to secure the permit because she's not offering a taxi service. "I'm making sober drivers available to take drunks safely home in their own cars," she says. "I don't have any cars for hire." She also doesn't want the city to set her rates, as it does with real taxis. But the city is adamant—no permit, no service. It's enough to drive you to drink.

Los Angeles school officials were proud as peacocks when they announced that students scored above the national average on a standardized mathematics test, representing a remarkable improvement in just a few years. It turns out that the schools had administered standardized exams with an identical set of test questions for *seven years in a row.* Many other big-city school systems, including those of New York, Philadelphia, and San Francisco, have been doing the same thing. Los Angeles school officials agreed that teachers are "probably" drilling their students on some questions that will appear on a future test, but they doubted that it's a serious problem. What may be a problem is the fact that even with the teachers feeding them the answers in advance, it still took the school children seven years to get them right.

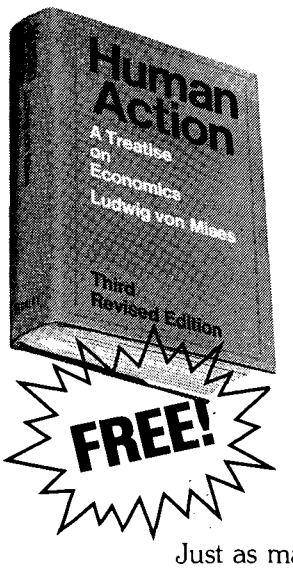
The probation sentence for a youth in Tucson, Arizona, convicted of theft included an unusual requirement—reading books and magazines. The judge said that 19-year-old Carl Whitehead was "brain-dead" from watching too much television, and ordered him to provide a monthly list of his completed reading to his probation officer. *TV Guide* is definitely prohibited.

When the Pentagon suddenly awarded six beefy military contracts worth $23 million in his California district, Rep. Fortney H. Stark began to investigate. He learned that the windfall was actually small potatoes. On September 30, the last day of the fiscal year, the Defense Department closed 234 contracts worth $4.2 billion in order to spend every available cent provided by Congress for the period. Stark introduced a bill to limit all federal agencies to spending 20 percent of their budgets or less in the last two months of a fiscal year. "My bill is like a well-balanced diet—allowing these departments their meat and vegetables, but cutting down on the French pastry at the end of a meal," he says.

If you think our senators have it made, consider the lottery-like prizes their counterparts in Canada pull down. The "job" there, which consists of the ability to show up at no more than three meetings a year, includes a yearly salary of $61,425, office staffs, free postage, free haircuts, free massages, travel allowances, subsidized lunches, and tax exemptions. There's no limit on earning money elsewhere. A Canadian senator is appointed by the prime minister. The only qualifications are that he be at least 30 years old, a Canadian citizen, and presumably breathing at the time of his appointment. One newspaper publisher likened the job to "drawing a royal straight flush in the biggest pot of the night."

—MARK EDWARD CRANE

"YEAH, I KNOW- I'M A BIT OVERWEIGHT AND HAVE TOO MUCH FAT IN MY DIET— BUT I CAN ALWAYS GET A HEART TRANSPLANT FROM HIM..."



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TRENDS

A BRIDGE TO BETTER SOLUTIONS

When the citizens of Oceanside, California, recently celebrated the opening of the Murray Road Bridge, which spans 660 feet across the flood-prone San Luis Rey River, the occasion marked the first time in California history that a local agency had built a toll bridge. It was also one of the infrequent instances of a community having figured out a user-pays solution to a problem that usually gets solved by going to the state or federal government for money.

Constrained by the property-tax limit set down by the 1978 Proposition 13 and by voters' refusal (in 1980) to approve a $4.2-million bond issue to build a bridge, Oceanside officials had to resort to "creative financing" for the project. They set up a nonprofit corporation, which sold $5.2 million in mortgage revenue bonds, to be repaid by the Murray Road Bridge's 50-cent roundtrip toll, collected via automatic toll equipment. Oceanside residents first balked at the idea of a toll—there are hardly any toll roads or bridges in all of California—but the bridge did get built.

An added advantage of the dedicated revenue from the bridge's tolls is that it assures funds for maintaining the bridge: bridges that are either privately owned (as is the Ambassador Bridge linking Detroit and Windsor, Canada) or operated by a corporate-like government entity (as is New York City's Triborough Bridge) almost never have maintenance problems, while many other of the nation's bridges are literally falling down.

AMERICA'S AMAZING EMPLOYMENT STORY

With the seemingly persistent high rate of unemployment, many Americans are wondering what's happened to jobs. "But for the U.S.," wrote management expert Peter Drucker recently in the *Wall Street Journal*, "another question is at least as important—perhaps much more so—and yet it is never asked: Where have all the jobs come from?"

The number of US jobs increased *45 percent* between 1965 and 1984, Drucker noted. At the same time, as the post-World War II baby-boom generation reached maturity, America's working-age population increased 38 percent. That jobs increased at an even faster clip is a remarkable accomplishment for the US economy, especially considering the "energy crisis," two recessions, and a severe shrinking of the "smokestack" industries (such as steel and autos) that rocked that period. By contrast, over the last decade Japan's jobs increased by only about 10 percent (half the US rate during the same period), and in Western Europe the number of jobs has actually declined since 1974. In a recent issue of *Policy Review*, US Chamber of Commerce officer Grover Norquist noted that in 1983 alone the US economy produced 4 million new jobs, more than the Canadians since 1965 and four times as many as the British created from 1952 to 1982.

What is most fascinating and instructive about this phenomenal job growth is that big business and government—the major source of new jobs during a 40-year period that extended through the '60s—contributed hardly at all to the recent employment explosion. Indeed, Drucker observed, "Government stopped expanding its employment in the early '70s and has barely maintained it since. Big business has been losing jobs since the early '70s."

Rather, small and medium-sized businesses have generated nearly all these new jobs. And contrary to what many might assume, most of these high-growth businesses are not high-tech firms (which account "for no more than 10% of the jobs created in the past 10 years") but what Drucker calls "low-tech" or "no-tech" enterprises (such as clothing makers and restaurant chains). What all these fast-growing businesses have in common "is that they are organized for systematic entrepreneurship and innovation."

The dynamic growth in American jobs, Drucker contended, disproves an increasingly discussed theory, developed by the late Russian economist Nikolai Kondratieff, that every 50 years or so a developed economy enters a 20-year period of unavoidable stagnation. While

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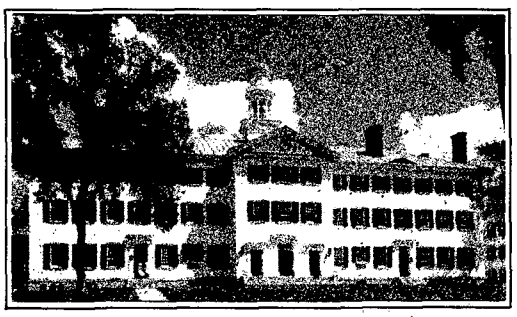

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smokestack industries appear to conform to the "Kondratieff wave," Drucker maintained, "the job-creation by entrepreneurial and innovative businesses in the U.S. simply isn't compatible with Kondratieff."

Reasons for optimism about the US economy come from elsewhere, as well. *Business Week*, in a recent cover story, predicted that with various technological and labor innovations, the economy "is poised for a strong, sustained surge in worker efficiency."

A number of experts' projections for productivity gains, quoted by *Business Week*, range from 2.7 percent to 3 percent a year until at least 1990. This compares to a rate of less than 2 percent from 1970 to 1978 and zero from 1978 through 1982. Assuming productivity increases of slightly more than 3 percent a year for the period 1983-86, Data Resources, Inc., forecasts economic prospects for those years that, *Business Week* quipped, "outshine even the Reagan Administration's controversial budget projections," which are widely dismissed as self-servingly optimistic.

A major cause of the productivity boom, *Business Week* reported, is increasing computerization within both the manufacturing and service industries, as well as labor concessions allowing the more efficient use of workers. The installation of automated teller machines, for example, enabled a California bank to cut its 8,000-person work force by 700 and to close 30 of its 400 locations. And in one Cadillac plant, workers agreed to changes allowing flexible work assignments that reduce the amount of manpower needed to produce engines.

Drucker's observations about entrepreneurship and job creation, along with the emerging productivity increases achieved through innovation, are in interesting juxtaposition to the current debate over "national industrial policy"; for it seems ever more clear that the truly wise national policy is simply to leave the market free so that individuals may follow their own creative forces.

OPENING THE DOOR TO IMMIGRATION DEBATE

The proposed Simpson-Mazzoli immigration reform bill—which would, among other things, punish businesses for hiring illegal aliens, grant amnesty to many illegals already residing in the United States, and theoretically try to make it more difficult for more aliens to come into the States—has a lot of conservative backers. As REASON contributing editor Tom Bethell noted in a recent *Wall Street Journal* op-ed article, conservatives like the anti-immigration bill because it seeks to enforce control of American borders. Many, too, support the bill because they think that immigrants create even greater demand on a welfare state that is already out of control.

But a growing debate over immigration policy appears to have emerged within conservative ranks, with Simpson-Mazzoli taking a lot of heat. Bethell, in his *Journal* article, chastised conservatives for giving no further thought to the proposed legislation "beyond interjecting occasional quotes from Edmund Burke on sovereignty." But the actual "perverse outcome" of the legislation, Bethell predicted, would be "additional millions of undocumented aliens pouring into America," lured here by the prospect of being granted amnesty and, thus legitimized, drawing on various welfare services. In essence, then, Bethell observed, Simpson-Mazzoli turns out to be "a proposal to add a new layer of regulation to business, and to expand the potential reach of the welfare state."

And in a recent issue of the conservative forum *Human Events*, attorney Frank Bubb made the case for a policy of open immigration. Bubb enumerated how "economic immigrants"—those who come to America to seek economic well-being—actually contribute benefits to native-born Americans. For example, "economic immigrants tend to shore up our two most expensive welfare programs—Social Security and Medicare," Bubb claimed, because "young immigrants increase the ratio of taxpayers to dependents paying into these programs for decades before they receive benefits." Moreover, Bubb noted, immigrants reduce the per-person burden of government spending that does not fluctuate with population size and of the national debt and interest on the debt.

Bubb also pointed out a little-noticed benefit of open immigration, one that Mancur Olson articulated in his recent book, *The Rise and Decline of Nations*: "Like free trade," Bubb wrote, open immigration "has the effect of unclogging an economy's arteries by undercutting the monopoly power accumulated by special interest groups, such as labor unions."

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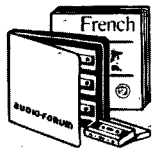

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TRENDS

Julian Simon recently debunked, in both a Heritage study and a *Newsweek* "My Turn" column, various "myths" about the effects of immigrants on the US economy. Contrary to the popular belief that Mexican illegals are flooding the United States, Simon wrote, "the total number of illegals is almost certainly below 6 million, and may be only 3.5 to 5 million"; but even this figure "overstates the number of Mexicans who intend to remain permanently, leaving perhaps 1.3 million Mexican illegals—certainly not a large number by any economic test."

Moreover, Simon pointed out, numerous studies show that only "small proportions of illegals use government services: free medical [care], 5 percent; unemployment insurance, 4; food stamps, 1; welfare payments, 1; child schooling, 4." And while "practically none receive social security, the costliest service of all," Simon noted, "77 percent pay social-security taxes, and 73 percent have federal taxes withheld."

Simon also explained that Americans' major fear of open immigration—immigrants taking native Americans' jobs—is based on a view of the economy that "overlooks the dynamic that immigrants

GLOBAL TRENDS

BREAK-EVEN TRANSIT

JAPAN—Anyone looking for evidence that privately owned urban mass transit systems can work will find that evidence in Japan. According to a recent report by Toru Akiyama, chairman of the Japan Transport Consultants Association, of the 30 large Japanese municipal bus systems, 27 are privately operated and only three (in Tokyo, Kawasaki, and Yokohama) are run by municipal governments. Japan also has 15 private railways, eight of them major lines in metropolitan areas.

The fares on both government and privately owned transit systems are tightly regulated by the government, but there is a big difference between fare regulation in Japan and the United States. In the latter, average farebox revenues cover only around 40 percent of operating costs, with the remainder collected from taxpayers' pockets. But in Japan, the Transportation Ministry believes in riders paying their own way. Fares on privately owned lines there are structured to cover not only operating costs but also the cost of capital assets, depreciation, and debt service. The ministry authorizes a fare formula that allows a "fair return" of 8 percent for the owners of the private systems.

The government-owned subway systems have comparable fare structures. Fares cover operating expenses, depreciation, and interest on nonsubsidized capital costs (about 60 percent of the systems' construction costs are government-subsidized). But riders on the city-owned Toei subway line in Tokyo are paying about 75 percent of the *total* cost of the system, considerably more than the minimal share paid for by American riders.

One of the weakest parts of Japan's transportation system is the government-owned Japan National Railways. Its long-term indebtedness has reached the equivalent of $75 billion; accumulated losses have risen to $37.5 billion; and declines in freight revenue are accelerating. Recently, a government-appointed panel has been investigating JNR's woes and has recommended a sensible reform to ease the situation—terminating service on 73 local lines that lose money and transferring or selling 102 local lines to private operators or joint ventures of local governments and private companies.

LAUNCHING AN INDEPENDENT DEFENSE?

PARIS—French President François Mitterrand, urging the importance of a Europe able to defend itself, recently proposed that European nations cooperate in developing a space-based military reconnaissance capability. Such an effort might eventually lead to the development of a West European–controlled manned military space station. "The Atlantic Alliance [NATO] is not about to be supplanted by a European Alliance," Mitterrand was quoted in the British daily the *Guardian*; but his remarks indicate his seriousness about developing a European defense independent of the United States.

Indeed, as a further indication of that seriousness, the French also have proposed abolishing current restrictions on the range of missiles and bomber aircraft built in West Germany. The restrictions on West German armaments—part of post–World War II constraints on Germany's military activities—limit to 43 miles the flight distance of German-built missiles and prohibit the West Germans from building strategic bombers.

The French are also pushing to beef up the Standing Armaments Committee of the West European Union (WEU)—whose members are Belgium, France, Italy, Luxembourg, the Netherlands, the United Kingdom, and West Germany—to create more cooperation in the production of weapons (hence the proposal to end limits on German-built weapons). France is working to develop the WEU into a viable defense entity.

SOUTH AMERICAN SEA CHANGE

ARGENTINA—With the return of democracy after years of military dictatorship, things are looking up for Argentina.

The revival of civil liberties with the accession of the Raúl Alfonsín government has been well documented. The new government has court-martialed three former presidents and six other top military leaders who presided over what Amnesty International has called a "consistent pattern of gross and reliably attested violations of human rights," including disappearance, torture, and murder of

(Continued on p. 16)

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by Ted Nicholas

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create jobs as well as take them." Not only do their purchases create additional demand for goods (and thus for labor), but immigrants, as a group, are more likely than natives to set up their own businesses, thus creating additional jobs.

While Simon made a powerful *pragmatic* case for open immigration, it was Bubb, in his *Human Events* article, who argued most explicitly the *moral* aspect of such a policy. "Immigration is above all a moral issue, an issue of human rights," he wrote. "If a person born in Guadalajara or Port-au-Prince buys an airline ticket to Philadelphia, rents an apartment and finds a job, whose rights has he violated?"

UNMASKING THE UN

There was a day when the United Nations enjoyed the political sanctity of bipartisan commissions and "The Star-Spangled Banner." Anyone challenging the UN was quickly dismissed as a mere tassel on the lunatic fringe. But things are changing.

In January, *Harper's* magazine, not known for right-wing extremism, published a scathing denunciation of the UN, "Yanqui, Si! UN, No!" Author Richard Grenier reviewed the UN's original billing, which was "to save succeeding generations from the scourge of war," and how that mission has abjectly failed. Since the UN was founded, he noted, "the world has seen more than one hundred armed conflicts, including some forty major wars, which have killed over ten million people. Even an imbecile can see the place isn't working."

Grenier pointed out the hypocrisy of the UN's rhetoric in no uncertain terms. "Most of the 100-odd members of this 'parliament of man' represent countries that, back home, are naked autocracies," he observed. "In other words, we have here an organization devoted to peace between neighbors whose members routinely make war on their citizens. What kind of peace-loving governments are these?"

Grenier also mentioned the "odd concentration of UN activity around the organization's two pariah states, South Africa and Israel [he might also have mentioned Chile], as if they were the only trouble spots on the globe." While the UN funds and has granted permanent-observer status to the Palestine Liberation Organization (PLO) and the South West Africa People's Organization (SWAPO), anti-Soviet liberation movements get short shrift. "I have no idea why the Afghans struggling desperately to free their country from Soviet occupation do not qualify as a national liberation movement, but I have never heard them mentioned once in the corridors of the U.N., except by the United States," Grenier sardonically observed.

GLOBAL TRENDS

(Continued from p. 14)

thousands. Those practices have of course ended. But what is less well known is that the Alfonsin government is also making an effort to put the Argentine economy in order, partly by introducing free-market reforms.

The task is certainly large. Alfonsin inherited from the generals one of the world's highest inflation rates (430 percent in 1983). Their legacy also included a foreign debt of $43 billion, much of it owed to US banks, and enormous government budget deficits. According to *Business Week*, some $15-20 billion was borrowed by the military rulers for "prestige projects," but many Argentines "are convinced that a large portion of the debt ended up in private pockets."

Alfonsin's government is planning to shrink the country's bloated public sector as the solution to the budget deficit and resulting inflation. For example, state-owned companies now account for about 50 percent of the country's gross domestic product, and among the most important of Alfonsin's goals is divesting the government of many of the money-losing enterprises. Economy Minister Bernardo Grinspun told the *Wall Street Journal* that from now through 1985, the government will rid itself of "hundreds" of such companies. "There's a commission looking into selling off these state-owned enterprises," he said. "If we can't sell them, we'll shut them down. . . . The savings will be small in 1984 and bigger thereafter."

Meanwhile, the end of military rule is having significant positive effect on Argentina's cultural life, as well. A nation that was one of the most tolerant and cosmopolitan in Latin America 50 years ago is becoming more like its old self. "The repression was so strong that I couldn't create," sculptress Marta Minujin told the *Los Angeles Times*. "I could only work if I could fool them [the censors], if they couldn't understand it." Ms. Minujin celebrated the advent of civil liberties by building in downtown Buenos Aires a replica of the Parthenon made of 25,000 books. After it was built, she allowed the public to take the books away.

The spirit of the country is very different from the recent past. Exiled writers are returning. Films such as *The Patagonian Rebel*, an international hit made in Argentina, and *Missing*, Costa-Gavras's film about the disappearance and death of an American during the 1973 military coup in Chile, were banned in Argentina before but are being shown now.

Even the military rulers' enforced puritanism is falling by the wayside. Pornography that was not permitted under the old regime is flourishing (a *Los Angeles Times* reporter counted 22 magazines with "covers of women in various stages of undress" and two theatres offering striptease shows on a street in Buenos Aires).

When Minujin built her Parthenon of books, she told why she did. "I gave the books away," she said, "so people would know they don't have to be afraid anymore."

GLOBAL ROUND-UP

• *Language outlaws.* An unusual underground is operating in Montreal in Canada's predominantly French-speaking Quebec province: illegal English schools and classes. A 1977 Quebec law banned, with few exceptions, English in Quebec's schoolrooms. But many are offering instruction in English in defiance of the law. According to a recent Associated Press report, about 1,100 Montreal students are enrolled in classes in which teachers conduct the courses in English.

• *Abortion legalized.* Portugal's parliament has approved a proposal backed by the ruling Socialist Party that permits abortions in cases involving rape, abnormal fetuses, and risk to the life or health of a woman. This leaves Ireland and Belgium as the only Western European countries still forbidding all abortions.

"And again, except from the U.S., I have never heard a whisper about such obvious non-nations as Poland, Czechoslovakia, Hungary, Estonia, Latvia, Lithuania, Moldavia, Uzbekistan, Kirghizia... but you know the list."

Grenier even contemplated the once-heretical notion that the United States, whose taxpayers support 25 to 33 percent of the UN's budget, simply up and leave. He sympathetically quoted the view of one American official that our presence "gives the organization one of the principal claims to legitimacy it now possesses, and that without us it would stand revealed as the third-world Soviet lynch mob it has become, diplomatically useless." If the United States withdrew, the official suggests that other nations would very likely follow, "and the United Nations would soon collapse."

From the time it was founded, the UN caught the political imagination of many decent and well-intentioned individuals—but as Grenier said, "no one explained to the American people that the United Nations itself was based on preposterous assumptions about the world, even about the nature of man, and that it might someday fall into the hands of bad-type people." Now is evidently the season for shedding illusions.

WHO NEEDS AN INDUSTRIAL POLICY?

One of the current curiosities of American politics is the notion that "industrial policy" is a bold and innovative idea that's been tried in Japan and been a spectacular success. In fact, there are increasing doubts about whether Japan has tried any such thing. Meanwhile, industrial policies *have* been tried extensively in other countries, including several in Western Europe, and their track record deserves careful study.

Recently, the Heritage Foundation published a report on the British experience, written by John Burton of the Institute of Economic Affairs in London. Burton noted that many of the "buzzwords of industrial policy—adjustment assistance to 'sunset' industries, financial assistance to promote new 'sunrise' industries and technologies, the establishment of tripartite (business, union, and government) councils to improve cooperation and many others—have been heard and enacted in Britain over the past 30 years."

In 1945, when the Labour government of Clement Atlee was elected, industries such as coal, electricity, gas, railways, and civil aviation, as well as the Bank of England were nationalized, to be followed by iron and steel six years later. This proved, noted Burton, "an unmitigated and expensive disaster for the British taxpayer." From 1945 to 1979, subsidies to nationalized industries mounted to $45 billion in 1979 dollars.

National economic planning has not been any less catastrophic than out-and-out nationalization. The Conservative government in 1962 established a National Economic Development Council to catalyze a coordinated planning effort by government, business, and labor. The council targeted a 4 percent increase in output through 1966—but output actually rose only 2.9 percent. A new Labour

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government in 1964 added its own version, which produced a new National Plan. It was abandoned completely in 1966.

Meanwhile, Labour had come up with the idea of government sponsorship of a "white-hot technological revolution." A number of measures flowed from this goal in the late '60s and '70s.

An Industrial Reorganization Corporation was to use tax monies to fund business mergers that would increase efficiency. One of the notorious results is, as Burton described it, "the sorry history" of British Leyland, formed in an IRC merger between the firms BMC and Leyland Motors in 1968. The IRC lasted only four years, but British Leyland and all but one of the other 69 matches made in IRC heaven were launched on their way to bankruptcy.

The "white-hot technological revolution" also was to be incited by subsidies to high-risk research and development efforts. Under this policy, a British computer firm was cobbled together in 1968, an aluminum smelting industry launched, and large loans and loan guarantees extended to such ventures as the Concorde supersonic jetliner.

The fate of the Concorde illustrates the problems that ensued. The plane's cost per seat-mile is three times that of the Boeing 747, and even British Airways refused to purchase any Concordes until the government promised to compensate it for the financial losses the airline was sure it would incur.

In 1971, under the Conservative Heath government, the IRC was abolished, only to be reincarnated the next year as an Industrial Development Unit charged with using subsidies to create new jobs and modernize flagging industries. The return of Labour in the mid-'70s brought new twists on by-now familiar policies. Yet from 1974 to 1978, productivity in Britain grew, on average, by a mere 0.8 percent a year.

And subsidies continued to mount. In 1975, on the brink of folding, British Leyland was resuscitated with a plan calling for $1.5 billion of taxpayers' money through 1982. In fact, British Leyland swallowed up all that money by 1980, and the Thatcher government poured in an *additional* $2 billion. "The financial return to the taxpayer has been zero," noted Burton. "Nor is there much sign that the corporation will ever get back into the black."

While the Thatcher administration promised to disengage government from industry, "the sums of public expenditure allocated to industry remain just as high in real terms as under Mrs. Thatcher's predecessor," Burton revealed. And about two-thirds continues to be funneled into "sunset" industries.

Burton suggested several lessons to be digested by US citizens bombarded with pleas for devising an industrial policy: "picking winners" has not led to an improved overall economy in Britain; "the supposed 'winners' have had an alarming tendency to turn into costly 'losers' for the taxpayer"; and it is extremely difficult to withdraw industrial subsidies once begun.

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ONE SMALL STEP FOR MINORITY TEENS

For years, free-market economists have pointed out the racist consequences of minimum-wage laws—but ironically, most civil rights activists and organizations who have shown any interest in the issue continue to support the minimum wage. Thus, it is noteworthy that the influential National Conference of Black Mayors has endorsed a proposal to reduce the scope of the minimum wage, at least on an experimental basis.

The logic against the minimum wage has always been strong. In a 1978 REASON article, "The New Jim Crow Laws," economist Walter Williams asked: "If a wage of $2.65 per hour [the minimum wage at the time] must be paid no matter who is hired, what kind of worker does it pay to hire?. . . Clearly the answer, in terms of economic efficiency, is to hire workers whose productivity is the closest to $2.65 per hour. If such workers are available, it clearly does not pay the firm to hire those workers whose output is worth, say, $1.50 per hour."

He continued, "For a host of socio-economic reasons, white youths, more often than black youths, have better educational backgrounds and training. Therefore, the legislation of a minimum wage law can, as reflected in unemployment statistics, be expected to impose a greater burden on black youths than on white youths."

Despite this, the political clout behind the minimum wage—especially from trade unions who fear that their workers will be elbowed out by low-cost labor—is sufficiently strong that there is no chance of abolishing the minimum wage anytime soon. The situation is hardly helped by the fact that the NAACP, the Congressional Black Caucus, the Urban League, and other influential civil rights organizations are strongly opposed to any relaxation or lowering of the minimum wage.

However, the Reagan administration has proposed an experiment in which the current $3.35-per-hour minimum wage would be lowered to $2.40 for workers under 22 who are hired from May through September (in an early version of the proposal, the $3.35 figure would apply for workers retained in their jobs after September 30). It is this proposal that the National Conference of Black Mayors—with 251 members and an estimated total constituency of 20 million—has endorsed.

"We wish we could have full employment in this country at least at the minimum wage level," deputy executive director Sam Tucker told REASON. "But we don't now. We think this experiment is a step in the right direction."

At this writing, it is too early to know the prospects for the administration proposal this year. But with the overall teenage unemployment rate at 25.6 per-

cent last June, and the unemployment rate for black teenagers at a staggering 56.2 percent the same month, any reduction in the minimum wage that would expand job opportunities for young people is long overdue. The black mayors evidently recognize this.

RESOURCEFUL ANALYSES

Over the last several years, there have been numerous dire predictions that the earth's nonrenewable resources are being depleted. According to this line of thinking, often used as a rationale for no-growth policies, crisis is virtually around the corner unless industrial societies radically change.

But in the February issue of *Science*, H. E. Goeller and A. Zucker of the Oak Ridge National Laboratory presented a case for the conclusion that "with a few exceptions, the world contains plentiful retrievable resources that can supply mankind with the necessary materials for the very long term, and...these resources can probably be extracted and converted to useful forms indefinitely with acceptable environmental consequences and within the boundaries of foreseeable economic restraints."

They concluded this after considering current demand and estimated demand in 2100 for each of the 65 currently useful chemical elements. They note that a dozen elements are already "economically in infinite supply with installed and proven technology"; technology is "already partially or fully developed, but not yet economic to make an additional seven elements virtually unlimited"; and another 14 elements are likely to achieve near-infinite supply status given a century for research and development. Also, it "seems highly likely that with sufficient R&D," about 33 more elements may be in unlimited supply by 2100, and many of the remaining elements can be "significantly extended beyond our present projections."

These figures, incidentally, are not based on predictions of prosperity in industrialized countries while stagnation and decline prevail in the Third World. On the contrary, Goeller and Zucker calculate that while the average per capita demand for resources in the Third World is currently only about 6 percent of that in developed countries, that 6 percent could grow to 50 percent by 2100, putting the less developed countries on a level equivalent to that in Greece today—and still there would be no crisis of resources.

What do Goeller and Zucker see that so many other resource analysts have missed, leading to doomsday predictions? They recognize that "nonrenewable resources are useful because of their physical and chemical properties and are not an end in themselves." In other words, if and when a resource can be replaced with something else (as with fiber optics replacing copper-wire cables), the need for that resource may well be obviated. Moreover, as a resource becomes scarcer and its price rises, there is a powerful incentive to develop and market alternatives to it. Cobalt is an example.

Goeller and Zucker recall that when the cobalt mines of Zaire (where half the world's cobalt supply is produced) were disrupted in 1978 by political problems, cobalt prices rose from $11 to $25 per kilogram. In some industries, the demand for cobalt remained steady despite the price rise. But in other industries, *substitutes* for cobalt proliferated. Ceramic (ferrite) magnets have "rapidly replaced" cobalt alloy magnets, according to Goeller and Zucker. Manganese and lead have replaced cobalt in salts and driers for paints. And "the cobalt crisis has also led to intensive development of substitutes for the longer term," including new nickel-iron-aluminum alloys.

Other marketplace dynamics mitigate against resource crises. The authors point out that "as the quality of raw materials declines, a slow rise in prices places more emphasis on conservation, recycling, miniaturization, and durability of products."

Indeed, in a marketplace setting, even projections such as theirs can play a valuable role in alleviating the very shortages that are being predicted, as shrewd investors see opportunities for profits in conservation and stockpiling. As Joseph Martino observed in REASON ("Inheriting the Earth," Nov. 1982), "If a particular resource will be more valuable in the future than it is today, it is in the interest of the owner to conserve that resource so that he can sell it at a higher price in the future." Goeller and Zucker explicitly suggest that "recovery and stockpiling may be a prudent option" for four by-products of zinc ores that may never be mined in their own right.

Doomsday predictions tend to ignore these dynamics—as well as the fact that

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the economy's uses for natural resources are constantly changing. For example, the use of lead in paints and in vehicular antiknock fuels has been decreasing, and the use of platinum metals as catalysts in antipollution devices has been increasing.

On the whole, Goeller and Zucker make a persuasive case that with a marketplace regulating the price and use of resources, there is little reason to be concerned. Somehow, though, the newspapers that headlined the Club of Rome's doom reports in the '70s missed this one.

A SOBER PROPOSAL

Pennsylvania consumers' spirits may be lifted if Republican Gov. Richard Thornburgh's push to dismantle the state's liquor-control system succeeds. Thornburgh wants to get the state out of the business of running its 725 "state stores," the only places that are allowed to sell wine and hard liquor. Thornburgh's proposed legislation, which has Democratic backing, calls for abolishing the Liquor Control Board and selling off the LCB-operated stores. The bill would also permit grocery stores to sell wine.

Consumers would benefit by the change, the governor maintains. Unlike the present operations, private liquor stores would be allowed to price their merchandise competitively, have sales, advertise their products, offer contests, and accept credit cards and checks.

Already, Pennsylvanians cross state lines to shop in the private liquor stores of neighboring New Jersey, New York, and Maryland—to the tune of some $28 million a year (compared to $748 million spent in Pennsylvania's state stores last year). (The state of Pennsylvania's average revenue from a gallon of distilled spirits is $10.20, while New Jersey's is $4.73.) In addition to marking up their merchandise by a flat 25 percent, Pennsylvania state stores add two handling charges and an 18 percent "emergency" tax enacted to clean up a 1936 flood.

Opposing the idea of free-enterprise liquor sales are a number of groups with vested interests in the present system, including the National Alcoholic Beverage Control Association (a state-alcohol-controllers organization), the United Food and Commercial Workers (a union that organized the civil-service, state-store employees), and the Independent State Store Union (a state-store-managers association). Though the governor's proposal includes an offer to guarantee loans for state-store employees wishing to buy their own liquor stores, the unions remain unmollified.

MILESTONES

• *Simon says: Buy gold.* Former Treasury secretary William E. Simon, long a foe of gold bugs, has now become convinced that the threat of inflation (due to runaway government spending) is so severe that he thinks gold is "a good investment. . . from a long-term insurance point of view."

• *Flaming justice.* Model-railroad enthusiasts disenchanted with tax collectors can now purchase a heart-warming model-railroad accessory made in West Germany—*Das Brennende Finanzamt*, or for us, "The Burning IRS." The building includes a smoke unit and blinking bulbs to create a flame effect.

• *One to go?* California may become the 33rd state to call for a constitutional convention to pass a balanced-budget amendment. By February, 605,000 signatures—about 200,000 more than necessary—had been collected to put the initiative on the state's November ballot. If Californians vote yes on the initiative, only one more state would be needed to force Congress to call a constitutional convention on the balanced-budget issue.

• *Tip tax contested.* A group representing restaurant and hotel owners is suing the federal government over a tax law requiring these owners to designate 8 percent of their food and beverage revenues as employees' tips for tax-figuring purposes. The regulation, the plaintiffs hold, would overstate employees' tips; hence the IRS would claim larger taxes on those employees' earnings than actually due.

• *Shoring up property rights.* A California county superior court judge ruled in December that the state's Coastal Commission has acted unlawfully by taking "private property without justification." The ruling came in regard to the commission's practice of demanding land for public access to beaches from coastal property owners in exchange for permission to build protective sea walls.

—ROBERT W. POOLE, JR.,
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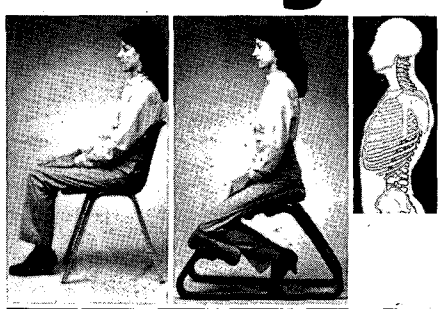

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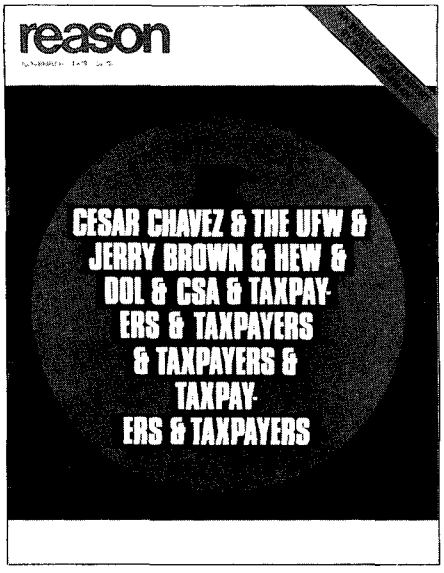
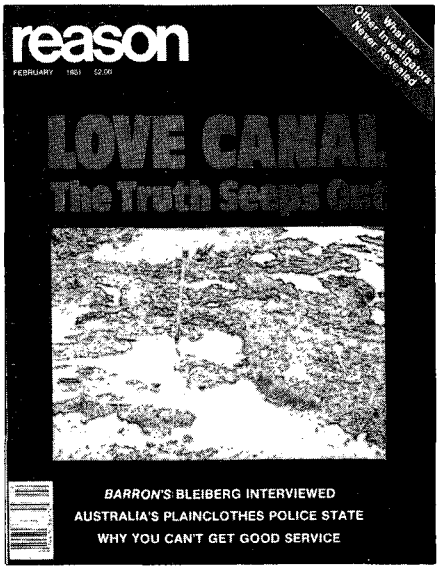


...that Cesar Chavez's union, the United Farm Workers, misused federal grants—and that *Reason* exposed the wrongdoing in a 1979 investigative article? Not only did NBC Television pick up the story—*Reason*'s exposé sparked a government investigation that ordered the funds returned.



...that it was the *local government* that caused chemical wastes to leak into the Love Canal neighborhood—not the Hooker chemical company, as the media widely reported? *Reason*'s revelation of the truth about Love Canal was featured on "ABC Nightline" and won a Mencken award for best investigative report of 1981.

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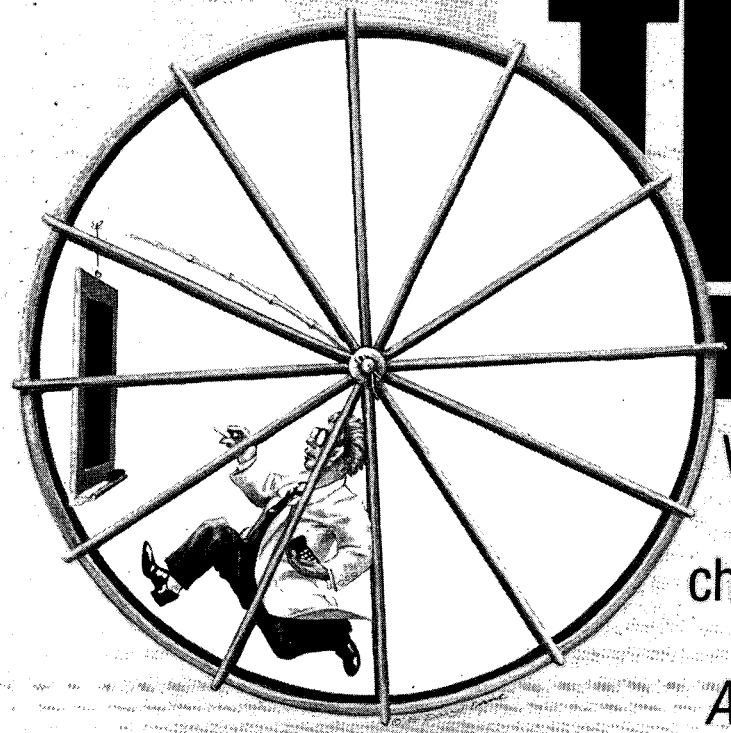
BEHIND THE CANCER TERROR



Why are Americans gripped by fear over the least trace of chemicals suspected of causing cancer? An excerpt from *The Apocalyptics: Politics, Science, and the Big Cancer Lie.**

By Edith Efron

In the course of five years of research and writing, I discovered a cultural crime which should not be possible in a free society: a complex corruption of science and a prolonged deception of the public. The crime emerged from the sciences of environmental cancer and cancer prevention, and it has all the superficial characteristics of "The Purloined Letter": It has been committed under our very eyes, its details are publicly recorded

in documents which are within hand's reach, and yet it remains invisible to most of the people of this country who are its victims. It is rendered invisible by one thing above all: the phenomenon of "the two cultures"—the dangerous barrier which separates the scientific and the humanist cultures and which may leave even the most educated layman incapable of differentiating between serious science and ideology in a white smock.

One of the realms in which one discovers this complex corruption of science is cancer prevention based exclusively on animal tests. The layman's understanding of this science is severely limited and is usually dominated by the approach to laboratory carcinogens adopted by the press. Shaped by the regulatory process, that approach is to present every announcement that a substance is "suspected" of causing cancer as high drama involving a battle between the regulators and an incriminated industry. My research into animal-man extrapolation, however, turned up an entirely different set of controversies—the extraordinarily large number of theoretical controversies in the academic world that lie concealed behind the regulatory facade. If one does not know these theoretical controversies, if one interprets the science of cancer prevention in purely economic-regulatory terms, one can never judge the nature of that science.

In the course of my investigation I found every reason to believe that the root of the many theoretical battles in the world of cancer research is politics—specifically, warring attitudes toward the American industrial system. One cannot put scientists into rigid boxes, but there do tend to be opposing factions that show up on one side or the other of every one of the specific and interlocking controversies in this field—and the sides are usually determined by whether the position enhances or diminishes the case for stringent regulatory action.

The most fundamental and most dramatic of these politicized academic controversies revolves, inevitably, around that theory in the cancer-prevention repertoire which justifies the most stringent regulatory action: the no-threshold, or no-safe-dose, or one-molecule theory. This theory holds that the most minute amount of a carcinogen, even a single molecule, might give someone cancer and, consequently, that the only safe dose or exposure is zero. The no-threshold theory is the premise of the process by which American citizens are sheltered from carcinogenic risk by American "regulatory" science, whose purpose, unlike that of basic science, is not to understand the biological mechanisms of cancer but to eliminate "suspected" substances from the environment whether biological understanding exists or not.

The no-threshold theory is a remarkable premise, however, for while it is the rock on which the temple of cancer prevention has been built, nobody has any idea if it is true. As Marvin Schneiderman of the National Cancer Institute (NCI) put it at hearings held by the Occupational Safety and Health Administration (OSHA) in 1978:

> *Another problem* and one which unfortunately is not amenable to scientific solution, *is the existence of a threshold. Is there a lower limit of exposure below which normal repair and recuperative processes will prevent cancer? This is perhaps one of the most pernicious questions that confront the regulatory agencies. It is the refuge of the apologist for industry and has support from traditional toxicology. [Emphasis added]*

A premise that "is not amenable to scientific solution" is a problem in a scientific endeavor, and it does generate hostility to regulators who impose it coercively—not only from "apologists for industry" but from "traditional toxicology," which is to say that a substantial number of "regulatory" scientists are as antagonized by the no-threshold theory as others are devoted to it. In fact, although regulators are loathe to inform citizens that anyone but industrialists condemns their policies, this is by far the most intense battle within the world of "regulatory" science itself.

The academic conflict over the no-threshold theory is so profound that it has caused certain institutions and people to adopt a position of cautious neutrality. In 1978, the Office of Science and Technology Policy circulated an early draft of its guidelines for the control of carcinogens. The draft was "widely" circulated among scientists, and responses were received from several dozen, including Joseph Fraumeni of the National Cancer Institute (NCI), Philip Handler of the National Academy of Sciences, David Rall of the National Institute of Environmental Health Sciences (NIEHS), Joseph Rodricks of the Food and Drug Administration (FDA), and Arthur Upton of the NCI and the NCI staff. On the basis of the response, the OSTP decided to leave the subject of thresholds out of its policy report: "Most comments made reference to lack of consensus among scientists regarding this issue. Since a full presentation of the debate is beyond the scope of this paper, we have elected to omit explicit reference to thresholds from the paper."

In the same year, Thomas Maugh of *Science* magazine, who

*This book reviews the first decade of cancer prevention in the United States and covers essential issues in carcinogen research, animal testing, and cancer epidemiology. The article here deals exclusively with an issue in animal-man extrapolation. Footnote references have been eliminated and, as in the book, scientists' professional affiliations have been "frozen" at the time of their statements.

ILLUSTRATIONS BY DARYL DANE

did try to review the debate, also preferred to remain neutral. Acknowledging the intensity of the conflict in the scientific world, Maugh, who is not normally given to hyperbole, said: "Debate between those who think carcinogens can be detoxified and those who do not has raged for years with all the intensity of a jihad. The analogy to religion is not inappropriate, moreover, since there is little hard scientific evidence to support either point of view. . . . Arguments on both sides of the question often seem to be little more than articles of faith, and it is exceptionally difficult for an impartial observer to decide which faith is more deserving of support."

If one examines the no-threshold/one-molecule debate by itself, one must inevitably end up perched on the fence, for "it is not amenable to scientific solution." If, however, one examines it within the context of the goal of cancer prevention, it becomes luminously clear that the "articles of faith" of one camp—the no-threshold camp—have necessarily been triumphant and that the dissenters against this position have necessarily been defeated in the battle.

The stated goal of the cancer prevention program in the United States is, quite simply, to protect—in advance—every one of the 226,000,000 citizens from the real or potential effects of carcinogens. The goal is stated in slightly different terms by different scientists, although they all mean the same thing. According to one group of scientists at the government's National Cancer Institute, including Charles C. Brown, Thomas R. Fears, and Marvin A. Schneiderman, "all members of a heterogeneous population must be protected at all times," and thus a regulatory agency "must consider the lowest threshold for an individual over his exposure period, as well as the lowest thresholds in the entire population." And Umberto Saffiotti of the NCI expresses the same idea more economically: "A prudent policy of cancer prevention requires protection of the most sensitive individuals in the population."

This goal is resonant with good intentions, but it poses very peculiar problems. On the face of it, it is obvious that no one can possibly know the identity of all the individuals in a nation of 226,000,000 or any random portion thereof who will be "most sensitive" to a disease that has not yet occurred as a response to a particular substance in question and that is not in general understood. All that can be known is that individual reactions are very different. Many scientists have testified to OSHA that, as OSHA puts it, there is a "wide variability in susceptibility to cancer within a population." Science is not presently capable of identifying the degree of "susceptibility" of every individual in the nation, particularly in a "heterogeneous" population.

The simplest way for the layman to understand the problem of varied susceptibility to cancer of a "heterogeneous" population is to consider the observation of David Rall of the government's NIEHS. "Man," he has observed, "is among the most heterogeneous systems on earth." In fact, "if sufficient effort were exerted, one could find that metabolically some man would exhibit a pattern like a rat, another man would exhibit a characteristic of a dog, and so forth." The "and so forth," however, is more important than the rest, because Rall only mentioned laboratory animals; but his statement, at a minimum, means that any given man may metabolize a carcinogen like any given *mammal*—that is, that somewhere a citizen of the United States may be metabolizing carcinogens like a gorilla, a leopard, a zebra, or an aardvark. The ultimate goal of cancer prevention in a heterogeneous species, then, is to protect that unknown susceptible citizen living somewhere on this gigantic continent who may, unknown to him or anyone else, metabolize carcinogens like an aardvark; and the aardvark, for all we know—since "sufficient effort" has not been exerted—may be helplessly vulnerable to carcinogens.

For the sheer pleasure of naming things, we will call this the Aardvark Principle. This "principle" is merely a symbolic restatement of the goal of cancer prevention as defined with greater solemnity by the above-quoted scientists at the NCI. Accordingly, OSHA, one of the government's leading regulators of environmental carcinogens, defines a threshold in the manner most appropriate to the Aardvark Principle:

> *For scientific or regulatory purposes,* threshold *would be a dosage level below which an effect (cancer)* could not *and* never would *occur, not merely a point below which an effect would be infrequent, no matter how very infrequent. [Emphasis in original]*

I found every reason to believe that the root of the theoretical battles in the world of cancer research is politics.

It must now be observed that the Aardvark Principle, all the more formal definitions of the goal of cancer prevention by NCI scientists, and OSHA's definition of a threshold as a dose that "*could not*" and "*never would*" cause a carcinogenic response in a single citizen have one unusual thing in common: To establish a threshold dose, all require the proof of a negative, which is impossible in logic. There is no way of demonstrating that an unknown individual in a population of 226,000,000 is *not* unusually susceptible to a disease whose mechanism is unknown; there is no way of demonstrating that an unknown individual does *not* metabolize carcinogens like an aardvark; there is no way to identify any metabolic response that "*could not*" and "*never would*" occur. The goal of cancer prevention may be resonant with good intentions, but a student of Logic I who presented a comparable proposition would receive a reso-

nant F. Assuming, however, that one accepts a public health goal that sets forth the need for a set of logically impossible calculations, one must thereafter conclude that one cannot perform those calculations—which is to say that one cannot calculate a threshold dose for man for any carcinogen.

In fact, a great many scientists have understood perfectly well that there is no way on earth to calculate a threshold dose for a population. Some scientists simply say forthrightly that the calculations cannot be performed and, short of challenging the logic of the goal, explain why. For example, Harold Stewart of the National Institutes of Health, chairman of the Ad Hoc Committee on Testing for Environmental Carcinogens, was quoted by OSHA as follows:

In the case of the human population, with the completely unknown variations in sensitivity to any chemical carcinogen and with the impossibility of knowledge of other variables that may affect responsiveness to these agents, attempts to establish threshold levels for carcinogenicity are unrealistic.

And William Nicholson of the Mt. Sinai School of Medicine was quoted by OSHA as follows:

Despite considerable research on the effects of carcinogenic substances. . . no data exist that would define a threshold for any carcinogen. The task confronting one who would define a level below which no carcinogenic risk exists for human populations is virtually an impossible one.

Other scientists, including representatives of regulatory agencies, prefer to make it sound as though the inability to determine threshold doses for a population are, rather, a function of a missing consensus which might one day make its appearance. Thus, in 1979, the Interagency Regulatory Liaison Group, Work Group of Risk Assessment, representing the Consumer Product Safety Commission, the Environmental Protection Agency, the Food and Drug Administration, and OSHA, said:

There is no presently acceptable way *to determine reliably a threshold for a carcinogen for an entire population. [Emphasis added]*

However they choose to formulate the problem, these scientists are simply expressing self-evident truth: No one can conceivably calculate the dose of a carcinogen that will be "safe" for the most sensitive individual in a population of 226 million people. The Aardvark Principle—the moral goal of cancer prevention—allows no such calculation.

In logic, this is all one needs to know about the threshold controversy. As long as one is determined to protect every human being in the Republic from a disease without having much human data and without knowing the mechanisms of the disease, no one can calculate safe or threshold doses in advance and there is nothing to argue about.

If there is nothing to argue about, however, what *are* the scientists arguing about—and why is the argument raging with the force of a "jihad"? Maugh, in *Science*, was satisfied to declare that the conflicting positions were "articles of faith." But there is a weird aspect of this battle that cannot be explained by clashing faiths. The curious fact is that none of the arguments purportedly offered in support of, or in repudiation of, thresholds are *relevant* to the concept of a threshold as it is defined by the goal of cancer prevention—that is, a *dose* of a carcinogen which "*could not*" and "*never would*" give anyone cancer. A rapid review of those arguments will illustrate the point.

The main arguments offered in support of the no-threshold theory are these (listed here without explanation and without attribution to specific sources):

1. Cancer may start with the transformation (possibly mutagenic) of a single cell.

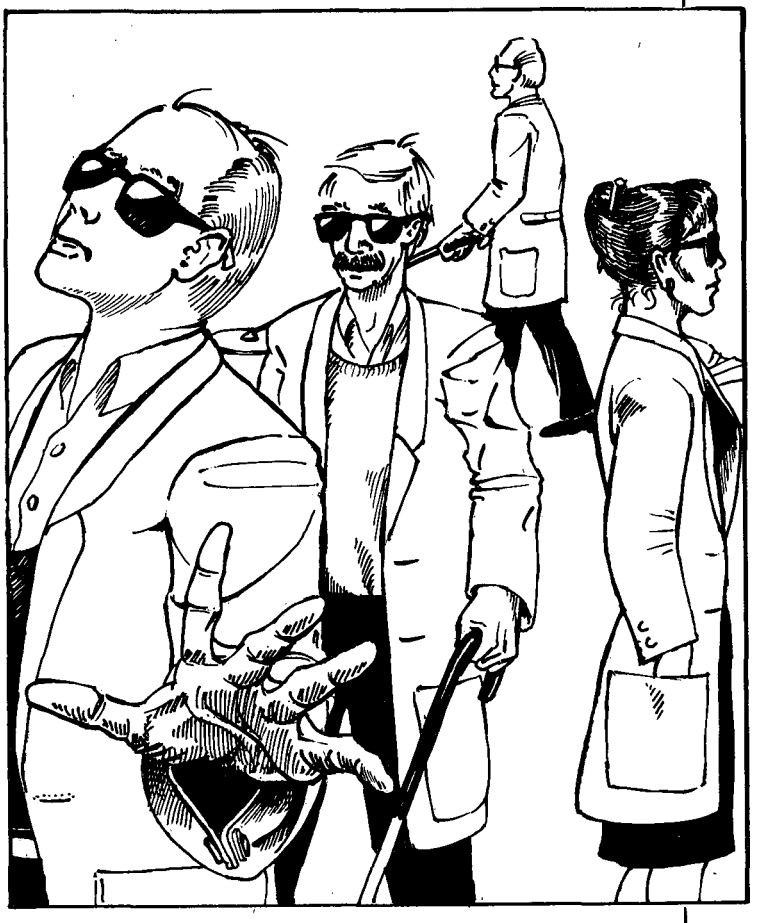
2. One molecule of a carcinogen or a mutagen may trigger cancer.

3. Cancerous cells are self-replicating, multiplying, proliferating entities.

4. The initiation of the process of carcinogenesis is irreversible.

5: Carcinogens interact with each other synergistically and "additively" or "incrementally" or "cumulatively"; thus, every minute dose of a carcinogen is added to a "background dose" which increases the risk of cancer.

These are the major ideas that, according to OSHA, represent the scientific consensus, and each of these ideas is mentioned



in literature reviews of the controversy as an argument for the probable nonexistence of thresholds. But these ideas are descriptions of a hypothetical process of carcinogenesis. They do *not* demonstrate that there is no *dose* of a carcinogen that "could not" and "never would" give anyone cancer; one can neither prove nor disprove such a proposition. These ideas are simply a collection of the most intimidating aspects of the various theories of carcinogenesis which are being brandished *as if* they were proof of the nonexistence of a safe or threshold dose.

And precisely the same thing is true, in reverse, of the critics of the no-threshold theory, who may not, as OSHA claims, represent the "consensus," but whose numbers are sufficient to have generated a "jihad." The alleged rebuttals to the no-threshold theory are exactly as irrelevant to the moral goal of

cancer prevention as are the defenses. Although most scientists do not make all of these arguments at once, taken collectively, they constitute the mirror opposites of the positions cited above and are listed in reviews of the literature as arguments against the no-threshold theory.

1. Exposure to very low levels of carcinogens—or to a single molecule of a mutagen or a carcinogen—may not necessarily be a significant threat, given the existence of a series of repair, recuperation, deactivation, and detoxification systems and other biological defense mechanisms in the total organism.

2. A minimum number of molecules in a cell must be affected before any biological reaction, including carcinogenesis, can take place.

3. Human beings are being pounded so consistently by so many carcinogens that nothing much happens at the target-cell level; the cells die and no carcinogenesis occurs. In addition, human cells are far more resistant both to radiation and to chemical carcinogenesis than are the cells of mice.

The no-threshold, or no-safe-dose, theory is the rock on which the temple of cancer prevention has been built.

4. The process of carcinogenesis is not necessarily an irreversible no-threshold phenomenon, for a great many metabolic variables (including high-dose testing itself) may inhibit or potentiate the carcinogenic response.

5. While examples of synergism do exist, there is no scientific evidence to support the idea that there are cumulative or incremental effects of carcinogens, that is, that minute doses of different combinations of carcinogens add up together to produce a cancer. In fact, certain combinations of carcinogens are *less* carcinogenic than the same carcinogens ingested individually. And, finally, there are anticarcinogens which act to prevent or inhibit carcinogenesis.

Even on the assumption that all these arguments are true, they too add up to a description of a hypothetical process of *resistance* to carcinogenesis. They do *not* constitute evidence that a dose of a carcinogen exists which "*could not*" and "*never would*" cause cancer in a single human being. Here, arguments are being brandished as if they constituted disproof of a population threshold, which is as impossible as a proof.

Even more curious, critics of the no-threshold theory are often arguing with a strawman, for many, if not most, of the defenders of the no-threshold theory are in full agreement that the second set of phenomena exist; they just argue that they cannot be measured—a proposition with which their opponents generally agree! Many of the defenders of the no-threshold theory also think, as do the critics of the theory, that the one-molecule theory of cancer is insignificant. Many of the defenders of the no-threshold theory are in full agreement that there may be individual thresholds. There is also full agreement that the human body has repair and other detoxification systems which protect it from a variety of toxic and carcinogenic effects, but here too the point is made that no one can calculate at what level these mechanisms fail to function. Finally, just as no critic of the no-threshold theory ever denies the phenomenon of synergism, no informed defender of the no-threshold theory denies the existence of anticarcinogens and inhibitory reactions.

When one examines this controversy carefully, therefore, one sees that this is not quite the "jihad" over thresholds that it is said to be. It is a complex, angry battle in which scientists tend to polarize around the most terrifying versus the most reassuring components of the various theories of carcinogenesis. In fact, there is no war over *population* thresholds at all, and there cannot be one. No opponent of the threshold theory has ever claimed to have set a safe dose of a carcinogen for the total population, including its most sensitive individuals. The scientists engaged in this "jihad" are clearly angry at each other about an unnamed something, but it cannot be about a set of ideas with which most of them agree.

One clue to this unnamed something is to be found in Marvin Schneiderman's comment, quoted earlier, that opposition to the no-threshold theory has won support from "traditional toxicology." It is clear that there is, then, a nontraditional toxicology and that the two kinds of toxicology are at war, in some fashion.

Toxicology is an old and complex science, and its history is, in effect, the history of man. Man was not born into a toxic-radioactive world with a copy of *Consumer Reports* in his hand. To preserve his own life, even primitive man became a toxicologist of sorts. Over the millennia, as he saw his fellow man die in agony after eating certain plants, berries, or fish, he learned to call those entities "poisons" and avoided them. In later stages of human development, when a vast lore on poisons had already been collected, men learned to kill others with natural toxic substances—for example, Socrates was killed with a cup of poison brewed from hemlock, and kings had human "tasters" who ate and drank first what was put before the king; if the tasters did not die in agony, the meal was deemed safe and the king ate and drank without fear.

This crude experimentation, however, protected man only from the most virulent, fast-acting poisons, where cause and effect could be quickly identified. By the sixteenth century, a far more subtle discovery was made by a German physician named Theophrastus Bombastus von Hohenheim, known as

Paracelsus. He had learned that every substance could be toxic, depending on the dose. His famous proposition, originally stated in German, was: "What is it that is not poison? All things are poison and none without poison. Only the dose determines that a thing is no poison." A Latin translation later reduced the idea to *Dosis sola facit venenum*—"Only the dose makes the poison." And on the frontispiece of a current text, *Toxicology: The Basic Science of Poisons*, edited by Louis J. Casarett and John Doull, yet another translation stands: "All substances are poisons; there is none which is not a poison. The right dose differentiates a poison and a remedy." The idea of Paracelsus is endlessly retranslated and reformulated because it is the fundamental principle of modern toxicology, the science of which Paracelsus is the recognized father. Libraries are stuffed, today, with studies of the toxicity of natural substances, and the knowledge is constantly growing. In 1979, the German toxicologist Schmähl reported: "Paracelsus' idea was recently confirmed by a case when a man in Germany died because he had drunk 17 liters of water within a very short time. He died from a cerebral edema and electrolyte disturbance. In this special case, even water acted as a fatal poison."

From this remarkable discovery that all substances at some dose could be poisons and that poisons were dose-related it was just a step—a long step—to the systematic use of laboratory animals as "tasters" for men. In a contemporary toxicology laboratory, animals are tested at different doses of a drug or an industrial substance, and their responses to each dose level are recorded. The lethal dose—LD50—is that dose at which 50 percent of the animals die, and the responses to a graded succession of doses are recorded to identify the "dose-response" curve. Traditionally, the safe or threshold dose for man has been calculated at a minute percentage of the dose which has no effect whatever on the animal.

Thus does the laboratory animal serve as a taster for man in the fields of pharmacology and industrial toxicity. If, today, most human beings are not poisoned in a highly toxic world, compounded by the highly toxic industrial revolution, one may conclude that the animal has served as a fairly efficient taster.

This does not imply, however, that the laboratory animal has rendered it unnecessary to study man directly. Errors have always been made, animals have not always predicted well for man, men have died from doses of drugs and toxicants which had been thought to be safe, and further knowledge was gained from these accidents. In the last analysis, however helpful the animal tasters, one still only knows with certainty what is dangerous to man by studying man. Conversely, one only knows what benefits man by studying man: penicillin, to cite the classic case, kills hamsters and guinea pigs, but it is a lifesaver for most men. As Casarett and Doull explain in their toxicology text, the standards set on the basis of animal dose-response curves are "provisional":

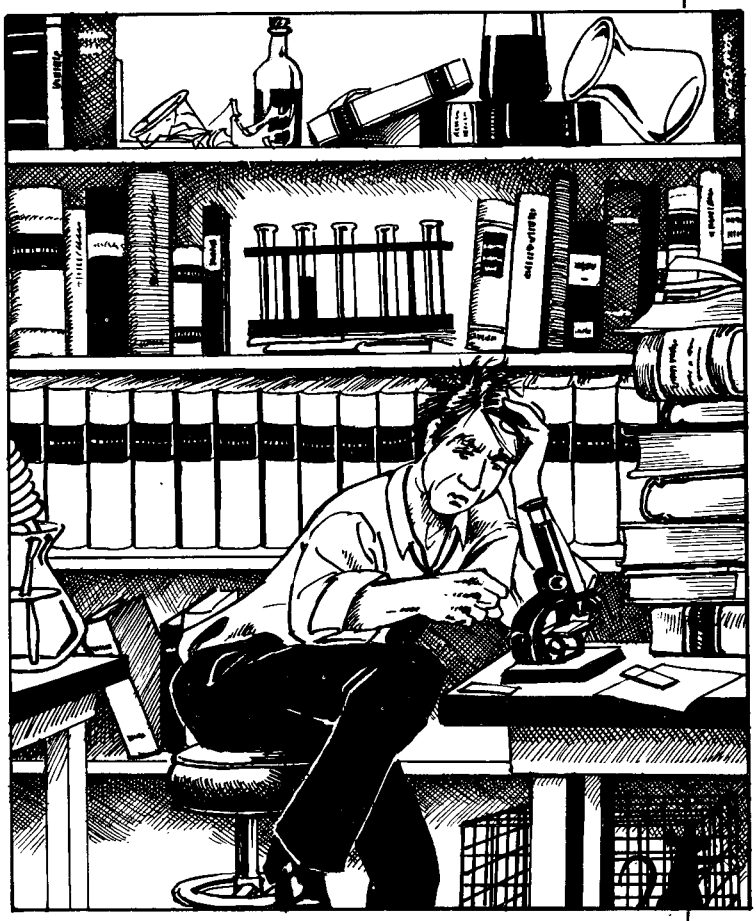
[They] are usually modified as more experience is gained with human exposure under conditions of use. Community standards are likewise developed and modified on the basis of current knowledge. Thus the "standards" set for safety in all circumstances are not firm, fixed, immutable figures. Rather, they represent the best judgment, at any given time, of the safety of a toxicant based on the sum total of all toxicologic information.

Direct human experimentation has been reduced to a minimum with the use of animal "tasters," but it is still necessary to engage in empirical studies of man himself. Man remains his own most reliable experimental animal.

So far, of course, we have just been discussing chemical toxicity. But carcinogenesis is a form of chemical toxicity, and Paracelsus is the father of this science as well. Indeed, the same toxicologists study both toxicity and carcinogenesis. And the fundamental discovery of Paracelsus, *Dosis sola facit venenum*—"Only the dose makes the poison"—and the modern study of dose-response curves are also applicable to carcinogenesis. Indeed, if any firm principle of carcinogenesis is known at all—a principle that applies both to animal and to man—it is Paracelsus' principle of dose-relatedness. Here is an explanation of the phenomenon as offered by William Lijinsky at OSHA hearings in 1978:

In the case of cigarette smoking there is a clear-cut response relationship; that is, the incidence of lung cancer is greater, the larger the number of cigarettes smoked per day and the longer the period for which they are smoked. Thus we can say that the higher the dose rate, or the longer the period of exposure, the higher is the risk of developing lung cancer. . . .

Exactly the same experience pertains to tests of chemical carcinogens in experimental animals. Those receiving higher dose rates, or the same dose rates for a longer period, have the highest risk of developing cancer. . . .



From the animal tests another aspect of dose-response can be deduced, namely that the higher the dose of carcinogen administered, the earlier the tumors appear. . . . Furthermore, only at the highest doses do all of a group of animals die of the tumors induced, and at lower doses the animals often live out their natural lifespan and die without any induced tumor.

When considering dose-response we have the two measures, time to death with induced tumors . . . and proportion of animals with induced tumors; the former decreases and the latter increases as the dose of carcinogen is increased.

Similarly, Jerzy Neyman, director of the Statistical Laboratories at the University of California at Berkeley, working with the reported carcinogen urethane, describes "a striking dif-

ference between crops of lung tumors in mice depending on the high or low dose-rate. With the high dose-rate, there are many more tumors."

Finally, carcinogenesis is dose-related in radiation carcinogenesis as well as in chemical carcinogenesis. As Henry Pitot of the University of Wisconsin sums it up: "As in the case of most agents producing effects in biological systems, the evidence is overwhelming that chemical and physical [radiation] induction of the neoplastic transformation is dependent on the dose of the carcinogenic agent." This is pure Paracelsus.

Where, then, is the conflict between "traditional" toxicology and "nontraditional" toxicology? We learn its essentials from Umberto Saffiotti of the NCI, who, in 1977, announced the birth of a "new toxicology." There was one primary difference in this "new toxicology" which led, in turn, to other differences. The primary difference was a rejection of what Saffiotti called the "traditional empirical approach" to man. One would use animal research in carcinogenesis just as one did in pharmacology and industrial toxicology—but, said Saffiotti, when it came to setting provisional safe doses based on that animal research and then assessing the effects of those doses in man, that "empirical approach" would not do for carcinogenic chemicals.

The reason, he said, lay in the mechanisms of carcinogenesis, which were uniquely different from the mechanisms of toxic substances in that they were characterized by "a trigger change in the target cell's regulatory mechanism, which determines a self-replicating cell lesion." That initial molecular damage, produced by exposure to a carcinogen, might be very restricted—"even to a few cells." Depending on the condition of the individual, it would then manifest itself in "the proliferation of the altered cell population." Such carcinogenic effects, he said, were different by nature from the effects of terminal toxicity. He called them "self-replicating toxic effects," and he observed that a "new toxicology" was evolving to control the carcinogens which induced such "self-replicating" toxic effects. That "new toxicology" was interdisciplinary, he said, and needed the participation of professions "ranging from chemistry and physics to biology and pathology, and from environmental sciences and sociology to law and economics."

Two aspects of that explanation are of particular interest. First, since no one, in 1977, knew the mechanisms of cancer, Saffiotti was not actually describing those mechanisms. He was simply using a good many words, including the postulate of the "single-cell" or "few-cell" theory, to describe what everyone already knew about cancer—that something unknown, whether inside or outside the individual or both, made cells proliferate. The conference title itself had described cancer more economically; it was a conference on "cell proliferation." Saffiotti was actually enunciating a new *moral* edict for toxicology: that while the "empirical approach" to man might be permissible for drugs and other toxic substances, it was impermissible for chemicals that might be "potential" carcinogens. Carcinogens in man must henceforth be studied without reference to man.

The second innovation of the "new toxicology," as Saffiotti explained it, was the invitation into the ranks of toxicology of a group of unusual new specialists who knew nothing whatever about biology, toxicity, or carcinogenicity: sociologists, lawyers, and economists. It is not difficult to see why sociologists, lawyers, and economists moved into the "new toxicology" just as empiricism was being evicted. In the very year that Saffiotti defined the "new toxicology" for his colleagues, he had also defined the professional ethics of animal testers in carcinogenesis as that of bearing witness to "suspected mass murder." With such a view of the function of the "new toxicology," the empirical approach to man was of little use—in fact, it was an obstacle; "suspicion" could not flourish in the atmosphere of empiricism. The "new toxicology," in sum, was a demand for a new moral-political approach to toxicology which would, with the aid of sociologists, lawyers, and economists, rationalize the pursuit of "suspected" industrial "mass murder" without any need for the empirical evidence of harm to man that is traditionally demanded by both science and the law.

The "new toxicology" was morally and politically triumphant, a triumph which was profoundly satisfactory to all those who imagined, as did an Ad Hoc Committee chaired by Saffiotti in 1970, that "the mass" of environmental cancer came from industry and that the disease could be virtually obliterated by law. But a strange price had been paid for that triumph. The study of carcinogenesis was still in its infancy, but the "new toxicology" had committed itself to cancer prevention—to the identification of "potential" carcinogens and to the assessment of carcinogenic risks to man—with only a sparse handful of human data available and a taboo against the "empirical approach." However one may applaud its morality, the "new toxicology" had actually paralyzed itself scientifically. Without the "traditional" empirical method in a disease that no one understood, it was left immobilized in a posture of moral probity—and was unable to learn anything that it did not already know about the exogenous causes of cancer in man. Above all, it could never begin to discover what chemicals or what *doses* of chemicals did or did not have effects, save in mice and rats. But the purpose of cancer preven-

If there is nothing to argue about, what *are* the scientists arguing about—and with the force of a "jihad"?

tion was not to protect mice and rats but to protect people. Thus, the "new toxicologists" could only declare, on *moral* grounds, that even the tiniest dose of an animal carcinogen, even a single molecule, had to be considered perilous for man. *The no-threshold theory was born of the abandonment of empiricism.*

The traditional toxicologists, however, cannot seem to grasp that with a "new toxicology" which morally forbids empirical studies of dose-response effects in man and with a moral goal of cancer prevention which forbids any calculations at all, there is no scientific argument to be made. They keep repeating the classical concepts of toxicology as if that science had not been eviscerated, and they stubbornly keep adapting its tenets to carcinogenesis—above all to the idea that there *must* be a threshold dose. But when they are challenged by the "new toxicologists" to prove a negative—to set a threshold for a given group of people which will *never, ever* give any one of them cancer, to set a threshold for the total population which will *never, ever* give anyone cancer...they fall still.

From that eerie stillness there emerge hostility and angry prophecies. Thus in August 1979, in an article in the science section of the *New York Times* entitled "How Tiny Chemical Traces are Found," Lawrence Garfinkle, vice-president and epidemiologist of the American Cancer Society, was quoted:"...one part per *billion* of anything seems just too small to worry about. Some of us think all instruments capable of detecting chemicals and concentrations lower than one part per million ought to be smashed before we drive ourselves crazy." At the very time when technology was doing the precise bidding of the theoreticians of cancer prevention who were committed to ridding the continent of every last trace of a carcinogenic molecule, talk of instrument-smashing was coming out of the mouths of prominent students of cancer.

That hostility to the very instruments on which the new science of cancer prevention relied was not new. It had simply become more intense among those who saw where the instruments were taking them. In 1976, when Alexander Schmidt was the FDA Commissioner, he complained that "we will be chasing a 'receding zero,' and some idiot in some lab will come up with something sensitive to parts per quintillion, and our policy says we will adopt it." Obviously, such scientists felt trapped, and Schmidt's irritable little prophecy tells us clearly that it was not the technology itself that was tormenting them but "our policy."

In the late 1970s, a fulfillment of Schmidt's prophecy occurred in a far more dramatic form than he could ever have dreamed. It involves a particular court case that demonstrates the ultimate implications of the no-threshold theory.

In 1973, it was found that acrylonitrile—a chemical that is now considered an "established" carcinogen—could migrate from plastic bottles and containers into the food and drink they contained, and the Food and Drug Administration (FDA) instituted proceedings to ban the use of acrylonitrile in the manufacturing of such containers. The manufacturer, the Monsanto Chemical Company, reported, however, that its technology had improved during this period and that with its new bottles no evidence of molecular migration could be detected. The company, consequently, demanded a new hearing and, with some difficulty, got one. One of the major issues that turned out to be at stake in the ensuing proceedings was the law of diffusion. Both the FDA and Richard Wilson of Harvard University, who had been asked to serve as consultant to the industry, found themselves discussing that law of physics, which governs the movement of all molecules of liquids, gases, and solids as they intermingle in nature.

To appreciate the oddity of this, one must know something about the law of diffusion. Here is a simple explanation of its meaning which has a reassuringly literary context. A 1977 paper by George B. Koelle of the Department of Pharmacology of the University of Pennsylvania began with this passage:

In a memorable scene from Samuel Butler's The Way of All Flesh, *old George Pontifex drops and breaks a pint bottle of Jordan water that he has been saving for many years for his first grandson's christening. The quick-thinking butler averts an impending crisis...by snatching up a sponge, recovering half the treasured liquid from the floor, and filtering it through a bit of blotting paper. On reflection, the same purpose would have been served by the simpler expedient of turning an adjacent tap and drawing a fresh pint from the local English water supply.*

However one may applaud its morality, the "new toxicology" had actually paralyzed itself scientifically.

Koelle explained that the Jordan poured 6.5 x 10^6 tons of water into the Dead Sea every day and, when the outpouring of one day had intermingled with all the waters of the world—an amount of water estimated at 1.5 x 10^{18} tons—an intermingling which could be expected to occur over a huge expanse of time, "a pint of water sampled from any source will contain 3.7 x 10^{12} molecules of Jordan water."

He then distilled the calculation into its simplest terms:

...if a pint of water is poured into the sea and allowed to mix completely with all the water on the surface of the earth, over 5,000 molecules of the original sample will be present in any

pint taken subsequently. The general conclusion to be drawn from these calculations is that nothing is completely uncontaminated by anything else.

This "general conclusion," without the technical reasons, is the law of diffusion.

The reason for which the FDA and Richard Wilson, for Monsanto, were discussing the law of diffusion was quite simple. The FDA had declared that it didn't matter whether one could no longer *measure* the migrating molecules in Monsanto's new bottles. What mattered, said the FDA, was that according to diffusion theory, molecules of acrylonitrile *were* migrating and could be so legally described. Richard Wilson responded that application of the theory of diffusion indicated that the migration was so infinitely small (a few parts per billion) as to be toxicologically insignificant. To this the FDA replied, consistent with the no-threshold theory, that no amount of a carcinogen was toxicologically insignificant. Monsanto appealed the case.

A summary of the court's findings was published by Peter Barton Hutt, former legal counsel to the FDA and later a partner in the law firm involved in the case. A number of different issues were involved, but we restrict ourselves here exclusively to what the court had to say on the subject of diffusion theory. Hutt's summary of the legal opinion, written for the legal profession, is accurate, succinct, and has the additional merit of being funny. Here is the essence of it:

. . . the court remanded to FDA its decision that any use of acrylonitrile, at any level and under any circumstances, could potentially result in migration. To the extent that FDA's "diffusion principle" amounted to nothing more than a restatement of the second law of thermodynamics, the court explicitly rejected it. . . .

. . . the court held that Congress did not intend that reasonable expectation of migration would be satisfied merely by a simple recitation of the diffusion principle. In short, the court agreed with the industry contention that Congress did not enact, as part of the definition of "food additive," the second law of thermodynamics.

There was no implication here that the court found limitless migration of molecules of acrylonitrile tolerable. In fact, the first bottle, which did have detectable amounts of acrylonitrile leaching into the food, was found unacceptable by the court—the improved bottle was found acceptable. As Hutt put it, "this is one of those rare cases where both sides won." The layman, of course, can make no assessment either of the safety of Monsanto's bottle or of the carcinogenicity of acrylonitrile. What he can assess is the linkage of the no-threshold theory with the law of diffusion. Although the judges in this case did not say so—it was doubtless irrelevant to the legal-administrative considerations they are required to consider—they had actually come face to face with the true significance of the no-threshold/one-molecule theory: the fact that that theory, with the number of increasingly sensitive measuring instruments, inexorably skids into the dimension of reality governed by the law of diffusion—and that there is no way to arrest that skid.

It was this problem of the "receding zero" that in 1979 led Lawrence Garfinkle, an eminently civilized scientist at the American Cancer Society, to ventilate his fantasies and those of other cancer researchers about smashing the new instruments before they all drove themselves "crazy." It was an expression of violent frustration by scientists who have found themselves in an obviously bizarre trap and cannot think their way out of it. In a situation like this, a layman who has no professional vested interests, no professional responsibility, and no concern for peer judgment—who, in a word, has nothing to lose—may be able to see the nature of the trap more clearly. It is, in fact, a rather simple trap, but it must be set forth in five steps:

1. If, *on moral grounds*, one expels the "empirical approach" from toxicology and one is left with an infant science that lacks both theory and human dose data;
2. If, *on moral grounds*, one establishes a goal of cancer prevention based on a logical fallacy which requires that one prove a negative;
3. If, *on moral grounds*, one tolerates that logical fallacy, which leaves one with no calculation for thresholds other than the calculation that no calculation can be made and that the only safe exposure is a zero exposure;
4. And if the instruments keep growing so much more sensitive that the zero goal keeps receding at a breathtaking rate;
5. Then one finds oneself in an extraordinary trap in which one realizes that one is driving oneself and others "crazy" and starts having fantasies about smashing instruments.

Such a fantasy, however, simply means that one has only thought oneself back from Step 5 to Step 4 but has not pursued the reasoning further. What would keep intelligent scientists from thinking themselves back to Steps 3, 2, and 1? The answer stands out clearly, particularly since I have obligingly italicized it three times. To think back one step further than Step 4, where the mischief can be blamed on instruments, the scientists would have to challenge the core of the "new toxicology"—the prevailing concept of morality, of goodness, that is held by his colleagues and by the regulatory agencies and that has now been taught to the Congress, the press, and the public and is enshrined in the law. For reasons that pertain to cultural matters outside the realm of this discussion, one of the last things on earth that most respectable people—scientists and nonscientists alike—will do is challenge the conventional moral beliefs of their peers, however irrational they may be. It is psychologically easier for such men, even when highly educated, to express the fantasies of primitives—knowing that they are the fantasies of primitives—than to stand up and say aloud: "What is really 'driving us crazy' is our notion of morality." And that may well be at least one of the unnamed—or unnamable—*somethings* that all these scientists are really fighting about.

The plain truth is that there *is* something "crazy" about the moral standards of the "new toxicology" and "regulatory" science which have culminated in the Aardvark Principle and the law of diffusion. This mixture of morality and logical fallacy as a substitute for data is unmistakable folly, and it has caught both the scientists and their science in a trap. Nothing demonstrates it more vividly than the sight of the "new toxicology" falling like a stone into a bottomless abyss—falling into that invisible dimension of nature in which single molecules of every substance on earth endlessly intermingle, falling with *no scientific concepts at all* to break its fall because they have been *morally* disallowed. Whatever else may be said about the no-threshold/one-molecule theory, it is its suicidal inability to differentiate itself from the law of diffusion that tells us it is intellectually bankrupt.

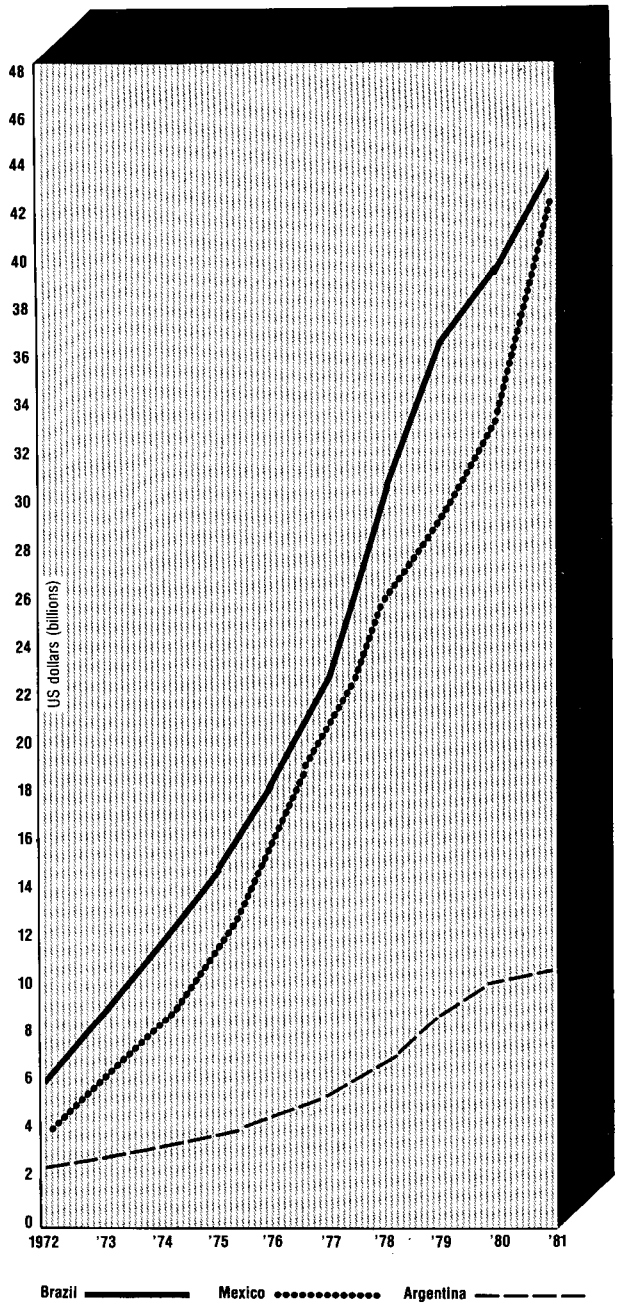
It is on this bankrupt premise that the entire regulatory process, that cancer prevention is based. And this is merely *one* of a series of astonishing irrationalities that I discovered at the heart of the "science" of cancer prevention by animal-man extrapolation, irrationalities of which the American public is still unaware—irrationalities so numerous, so ideological at root, so implacably hostile to science itself that they add up to a cultural crime. ◻

Edith Efron is the author of The News Twisters *and collaborated with William Simon on his* A Time for Truth. *This article is adapted, by permission of the author, from her forthcoming book,* The Apocalyptics: Politics, Science, and the Big Cancer Lie *(Simon and Schuster).* *Copyright © 1984 by Edith Efron.*

Paper Crisis

We didn't really have an international debt crisis before, but Congress is doing its best to create one.

By Jon Osborne



1
Public and publicly guaranteed debt

In *nominal* terms, the growth of Argentina's, Brazil's, and Mexico's debt is staggering.

We face global financial ruin from an "international debt crisis," the authors of countless recent books and articles warn us. They tell us why the crisis exists and, typically, how to avoid the disaster that it is ushering in. But a close examination of both the logic behind the crisis prediction and the evidence submitted to support it reveals the forecast to be, at best, premature, and at worst, a convenient fiction popularized by those now benefitting from the political results of its general acceptance.

Weak arguments and scarce evidence have, of course, never discouraged government action, so in November 1983 Congress approved an administration plan to grant the International Monetary Fund (IMF) an additional $8.4 billion, if not to actually solve the anticipated crisis, to at least frighten the bogeyman away for the time being. The sad irony of this tale is that the very measures that Congress has just taken to remedy this doubtful crisis will only make its advent more likely.

First to warn us of the possibility of an international debt crisis were the banks that made loans to foreign governments—loans now thought to be vulnerable to default—and the various governments that received those loans. And those same parties are also the principal beneficiaries of present government efforts here and abroad to insure this debt by subsidizing its repayment. Their authoritative voices warned of a financial collapse, and a press ever eager to exaggerate disaster echoed the doomful pronouncements. Thus egged on, governments of net lender countries moved to shield indirectly, by way of IMF subsidies, their domestic banks from the risks naturally associated with international debt. The international banks want the subsidies as a means of costlessly increasing the security of their international loans. The debtor governments want the subsidies as a new source of income. Both benefit from these subsidies and therefore both claim that a crisis exists; but what is the basis of this assertion and how have these various interests been able to convince so many of its validity?

The mechanics of the crisis, as foreseen by its "victims" and their unwitting allies in the press, are deceptively simple: As a debtor government progressively borrows more money, the cost of servicing its debt rises proportionately. Because the borrowed funds are not always invested in productive ways, however, they frequently do not generate sufficient income to cover the interest

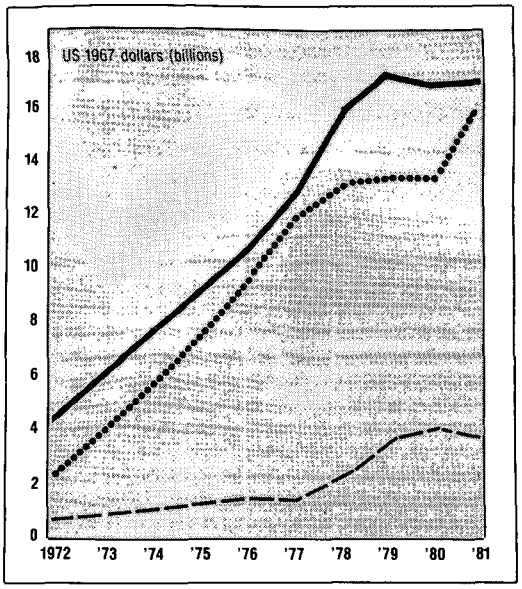
CHARTS BY REASON/SOURCE: *WORLD DEBT TABLES*

cost associated with borrowing. The interest cost must therefore be paid out of the general-income sources of the debtor government. But as the total cost of servicing the debt rises in proportion to its sum, it becomes an increasing strain on the budget of the debtor government. As a debtor government accumulates more foreign debt, it reaches a point at which it can no longer cover out of general revenue the servicing costs of all of its unproductive debt. The government then defaults. The lending banks suffer losses as a result, sending financial shock waves throughout their native countries and the rest of the world. This is the theory.

The evidence supporting this theory is that government-held debt is rising, as a matter of record, at a seemingly astonishing rate and many heavily indebted governments are, also as a matter of record, claiming increasing difficulty in servicing their debt. The three debtors most vociferous in their claims of hardship are also the three largest debtors: Argentina, Brazil, and Mexico. And in *nominal* terms the growth rate of their debt *is* staggering (see chart 1, page 31). From 1972 to 1981 these countries' combined debt grew at an average annual compounded rate of 26 percent; by 1981 their combined debt was about eight times what it had been in 1972. Two of these three countries, Argentina and Mexico, have already been forced to suspend servicing payments temporarily at one time or another due to an apparent shortage of funds. The crisis, it would seem, is already here.

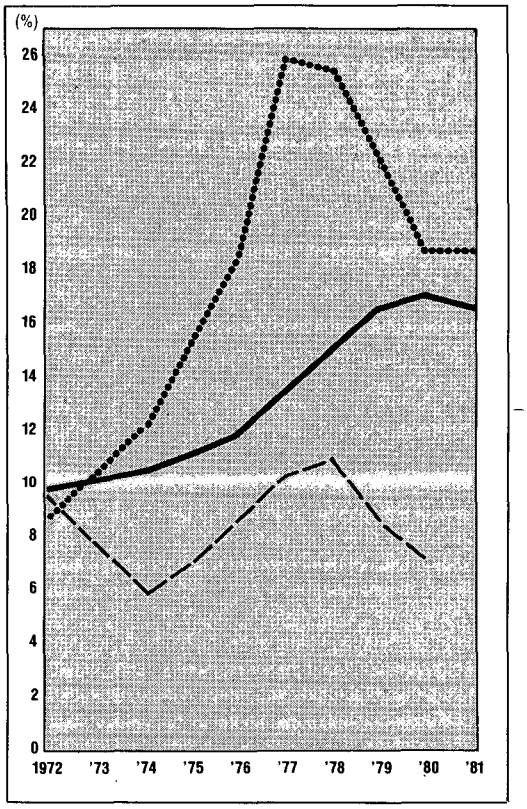
But however conclusive these facts may seem, they are compelling only because they are incomplete. In *real* terms, the rate of increase in the combined debt of these countries is not as impressive, and in fact their total debt grew at a rate only one-tenth as fast between 1978 and 1981 as between 1972 and 1978; clearly the rate of growth of these countries' national debt is slowing dramatically (see chart 2). And even where the absolute levels of debt commitments are already so high, an increase in publicly held debt does not necessarily mean an increase in the probability of default. According to the theory, it is the decreasing ratio of government income to servicing costs of government debt that is supposed to bring on collapse. So if a government's income is rising at a rate faster than or equal to the rate of increase in servicing costs, the danger of default may actually be diminishing.

This, in fact, is the case in the three countries being examined. The ratio of debt (the source of servicing costs) to



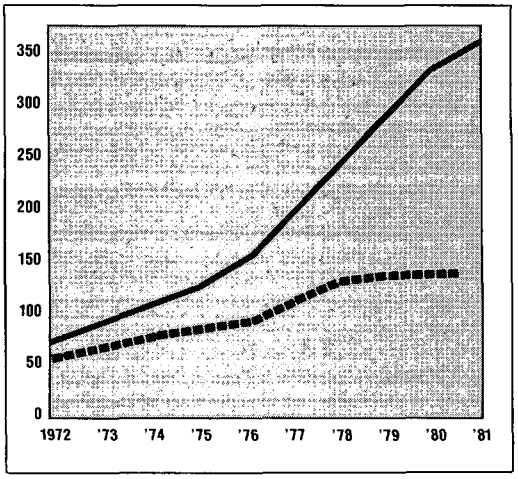
2
Public and publicly guaranteed debt

Measured in constant dollars, the rate of growth of these countries' national debt is slowing dramatically.



3
Debt as a percentage of GNP

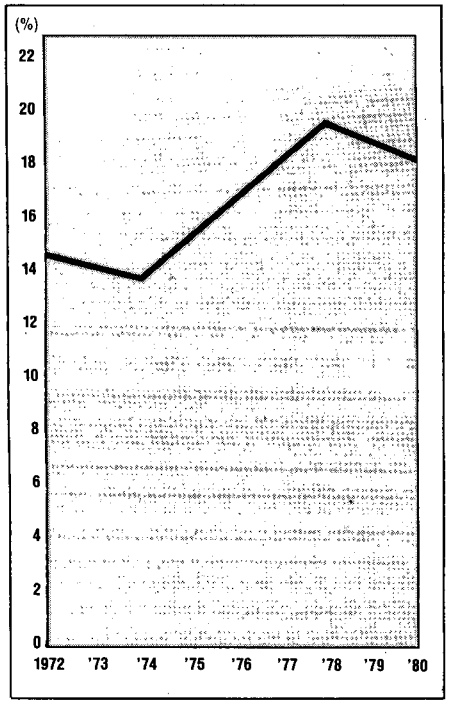
The ratio of debt to GNP has declined or leveled off in each of these countries since 1978.



4
Public and publicly guaranteed international debt (total)

The real value of world debt, as measured in constant dollars, has not increased markedly since 1978.

5
Total international debt as a percentage of total world GNP



As a percentage of total world GNP, total world debt is in decline.

gross national product (GNP)—the total value of a nation's output of goods and services (the source of government income)—has declined or leveled off in each of these countries since 1978 (see chart 3). The same story can be told in terms of world debt. Its real value has not increased markedly since 1978, and world debt as a percentage of GNP is in decline (see charts 4 and 5). If the reason for the anticipated mass default is that the servicing costs of accumulated debt are becoming an increasing strain on debtor governments, we have nothing to fear. A level of strain higher than we are now experiencing has already been tested without incident.

But there is another, even more fundamental level on which the case for the international debt crisis fails: it fails at the theoretical level. It assumes that the unavoidable outcome of a failure of a foreign government to generate sufficient income to service its debt is default, and it thereby ignores the very definition of debt. *Debt is a claim on assets, not on income.* The prediction that debtor governments may someday be unable to service their loans out of current *income* may well be true, but that is not the only factor relevant to the determination of whether those governments will have the ability to repay their debt. When an individual fails to meet the agreed-to payments on his loans, the assets in his possession are assigned to his creditors. One does not simply default and walk away with nothing more than a bad credit rating. Similarly, when a government encounters difficulty in servicing its debt out of income, it ought properly to liquidate assets in its possession in order to compensate its creditors.

Much of the government-owned asset base in debtor countries is, after all, a product of the very funds that were borrowed: foreign governments typically have vast amounts of nationalized assets at their disposal. Among the 500 largest foreign-owned companies, *Fortune* magazine recently listed four government-owned Brazilian companies, with total stockholders equity of about $12 billion; two government-owned Mexican companies, with total stockholders equity of about $23 billion; and two government-owned Chilean companies, with total stockholders equity of about $2.5 billion. And though each of these governments owns literally tens or hundreds of additional companies and millions of acres of land, the abovementioned companies alone have enough equity to cover 25 percent of Brazil's debt to foreign banks, 53 percent of Mexico's, and 33 percent of Chile's. (Note, too, that I have valued these companies at book value, usually only a fraction of the actual market value of a viable company.)

The people of these countries are poor, but their governments are not. If there is going to be a problem, then, it will not be one of ability to repay the loans but of *willingness.* Most of the funds loaned by banks to debtor governments were invested in government-owned industry and business projects—the money has not disappeared.

Whether the insecurity of international debt is due to genuine economic problems in debtor countries or whether it is simply due to a reluctance on the part of debtor governments to honor otherwise unenforceable agreements, crisis-theory proponents might respond to my observations, the fact remains that default by a number of debtor governments is a real possibility. But as was demonstrated above, default for these governments is *not* a necessity—it is a matter of choice, and the inclination to default is not a new problem. It is one that has been successfully resolved by a mechanism already in place.

There is a natural reluctance on the part of debtors to service or repay their debt. Some outside incentive must therefore be given to the debtor to comply according to agreement. Within states, that incentive is usually the threat of legal recourse. Between states, at least in the world of international public finance, that incentive is the fear that foreign investment will be discouraged if contracts are not honored and debts repaid. Companies and banks that lose assets to a foreign government because the government fails to honor its agreements will also lose confidence in the government, and the nation's economy generally, as profitable objects of investment. And because foreign investment is such an important factor in promoting the growth of poorer countries, no rational debtor government would like to see such investment in its country discouraged. There are, therefore, incentives already in place to encourage service and repayment of international debt. Were such incentives not already at work, the crisis would have come and gone long ago as debtor governments would have defaulted on their debt years ago instead of continuing to service it.

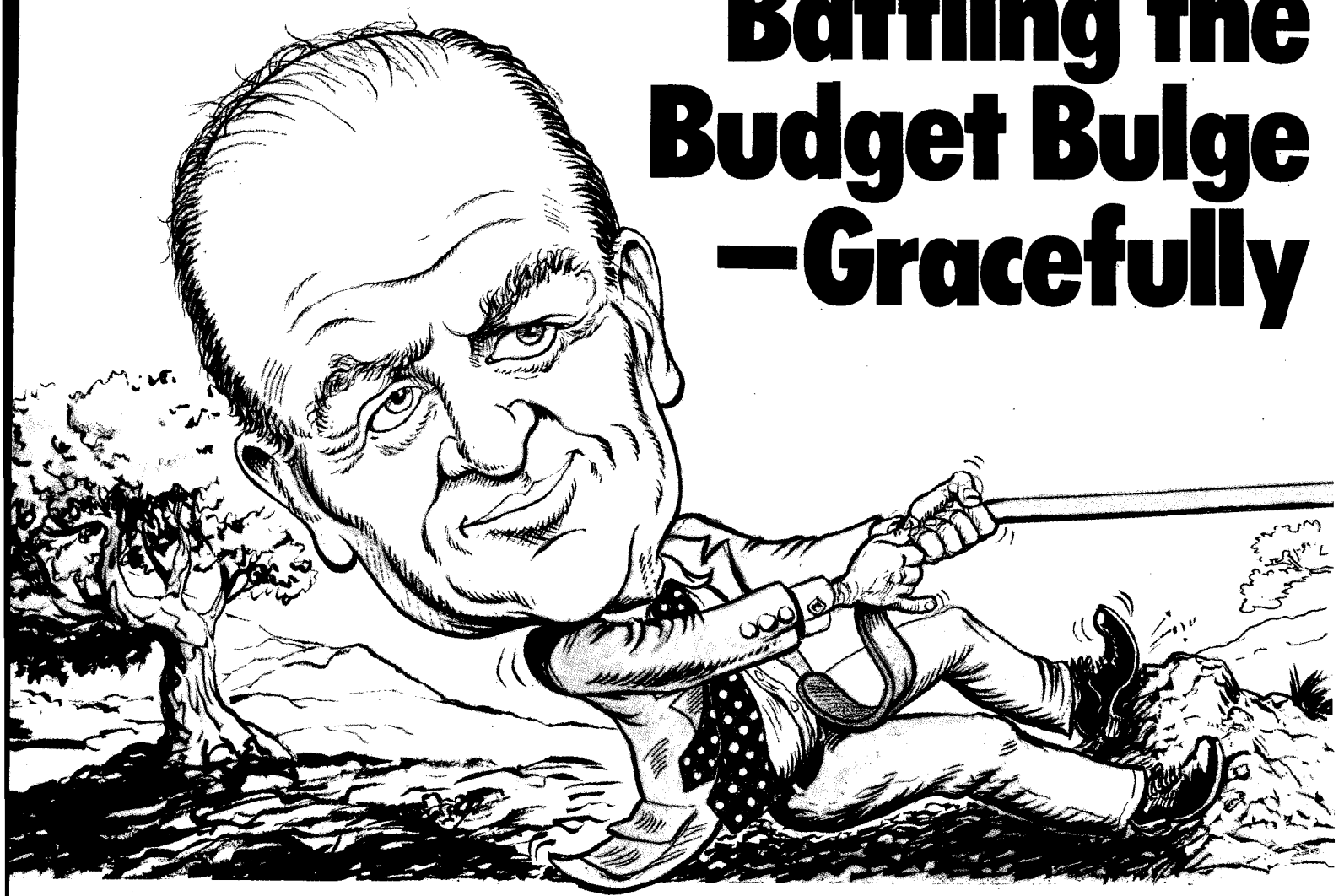
As originally foreseen, then, the crisis will not happen. Taken as a whole, the developing countries of the world are fully capable of servicing and repaying their foreign debt. But a debacle of a different sort—in which the IMF, with taxpayers' money, will bail out more and more defaulting foreign governments—has now been made possible by Congress's recent efforts to avert the supposed financial ruin by subsidizing its would-be victims. As noted above, debtor governments are faced with a delicate balance of incentives and disincentives to repay their debt. And historically, governments have generally serviced their debts according to agreement. But IMF subsidies, recently made available to debtor governments apparently likely to default, will upset this balance; for such subsidization is a signal to other debtor governments, previously not expected to default, that if they only prove themselves sufficiently irresponsible, the IMF will reward them.

If at one time it was thought that a crisis could arise because one or two governments appeared likely to default, the crisis is now more likely, not less. The remaining debtor governments may be so emboldened by the success of their neighbors in receiving subsidies that they too may opt for the easy way out.

It is too late to reverse our decision to subsidize the IMF and, in turn, its beneficiaries. Now we can only hope that decision will not create a real crisis where once there was none.

Jon Osborne holds an M.B.A. in finance and accounting from the University of Chicago and has worked for the Midwest Stock Exchange.

Battling the Budget Bulge —Gracefully



How can the federal budget be cut? Let us count the ways, says the Grace Commission.

By Peter Samuel

Would anyone pay $91 for a 3-cent screw? Or $511 for 60-cent lamp? The Pentagon would, according to the Grace Commission Report. Formally dubbed the "President's Private Sector Survey on Cost Control" (PPSSCC), the Grace Commission was pressed into action in early 1982 and by the end of 1983 had produced 47 reports, totaling 23,000 pages of cost-cutting recommendations for the federal government. And all this only scratches the surface, says industrialist J. Peter Grace, who directed the house cleaning.

Asked by President Reagan to study how to "root out waste and inefficiency in the federal government," Grace enlisted 161 business executives and professionals, who in turn recruited over 2,000 private-sector volunteers to probe for potential government savings. The commission was not to try to shape policy nor to propose the elimination of specific services or agencies. Although these ground rules heavily circumscribed the economies the commission could recommend, it still proposed 2,478 measures that could garner savings of $424 billion in the first three years of implementation.

The commission does not claim that the savings could all be achieved at once even with the best will. But it figures that the recommended measures would eventually produce savings not only of $424 billion but of more billions on into the future. The report starts with $46 billion in fiscal 1985—that's a seeming drop-in-the-bucket 5 percent of the federal budget forecast for 1985 under present policies. But by 1990, with Grace's savings, Uncle Sam's outlays would be $1,200 billion, or 27 percent less than the $1,633 billion forecast without the commission's cuts. And by the year 2000, outlays would be just over $3 trillion. Staggering as that number seems, it is still *44 percent less* than the status-quo forecasted budget of $5.5 trillion.

These calculations are based first on a summing of cost-accounts estimates of what the commission admits are numbers of varying reliability. It insists the budget projections

ILLUSTRATION BY MICHAEL BEICKEL

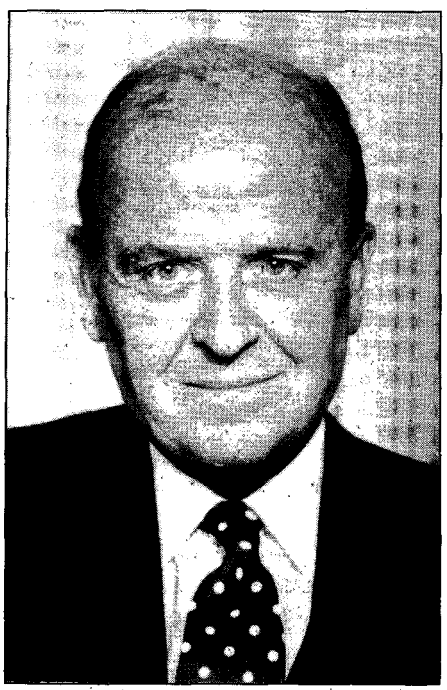
derive from conscientious and conservative estimates but admits imperfection: "Although PPSS has tried to be consistent and technically accurate in its calculations, its figures are of necessity, of a planning rather than a budget quality." Given the proven inadequacies of "budget-quality" numbers in recent budgets, there is room for great skepticism about "planning-quality" numbers! Moreover, the complexity of the numbers is magnified, since predictions are made by applying them to a complex long-term econometric model of the US economy, although the commission used a model devised by the well-respected economic forecasting firm Data Resources, Inc. Some will say the model inadequately accounts for various supply-side effects; others, that *no* model can properly account for such effects. In any case, the model does show the economy behaving better with the Grace Commission policies, with lower annual inflation and higher economic growth. In constant 1983 dollars, the report projects federal outlays growing 47 percent from 1983 to 2000 compared to 114 percent under the status quo. By the turn of the decade, the budget deficit would be reduced to about $30 billion a year from the present $195 billion.

The Grace Commission recommendations mean that dramatic reductions in the federal deficit could be accomplished without increasing taxes. Grace himself underlines the significance of this for taxpayers. Already, Grace notes, we have "runaway taxation." And while many taxpayers are keenly aware of the growing tax burden, they may not realize that "100% of what is collected is absorbed solely by interest on the federal debt and by federal contributions to transfer payments. In other words, all individual income tax revenues are gone before one nickel is spent on the services which taxpayers expect from government."

Despite ever-increasing taxes, government revenues have failed to keep pace with the explosion in expenditures. The national debt now stands at $1.4 trillion. The federal deficit, at $195 billion today, is more than 100 times larger than it was less than 20 years ago. And by the year 2000, the Grace Report estimates that the federal debt will be $13 trillion—that's a debt of $160,000 per current taxpayer!—and "the interest alone on this debt [will] be $1.5 trillion per year."

The Grace Report contends that the sizable savings proposals it recommends can enable us to avoid this horrendous scenario. But where are all the projected savings to come from? Eliminating so-called program waste accounts for 37.9 percent of the savings recommendations, while weeding out personnel management and system failures together make up 57.1 percent of the total projected savings. Of course, these categories may not be as clear-cut as they sound. What is "waste" and "inefficiency" in some eyes is "policy" in others—and policy changes had been declared off-limits to the commission. Many of the suggested savings will no doubt meet fierce resistance on that very score.

Take the biggest source of waste found by the Grace Commission—federal retirement programs. The government spent some $40 billion on pensions in fiscal 1983 and is likely to be spending $228 billion by the year 2000 given present policies. But, notes the commission, the government's pension programs are enormously more generous than private-sector retirement arrangements. They allow retirement on full pension much younger—at age 55 in the case of the civil service and at age 40 in the case of the military, compared to age 63 or 64 in the private sector. This cuts both ways, reducing the years of contributions, while increasing the years of payout. Full protection against inflation is provided in the government retirement arrangements, whereas the average private-sector pension scheme provides two to three percentage points less than full protection against increases in the cost of living. Finally, government pensions are based on average income in the last three years of employment, a significant advantage over the five-year base commonly used in business. Finally, vesting provisions and credit for years of service favor retirees from government over those from business.



As head of the President's Private Sector Survey on Cost Control, industrialist J. Peter Grace handed President Reagan a final report with 2,478 ways to save the federal government $424 billion—for starters.

Historically, more-generous retirement benefits were to compensate for supposedly inferior pay. Less pay, more security was the trade-off. But as the Grace Commission points out, the Federal Salary Reform Act of 1962 significantly changed the basic premise by mandating "comparability" of salaries. Naturally, it did not touch pensions. Indeed, these have steadily *improved* under pressure from federal employee unions.

A private-sector worker on a preretirement salary of $25,000 typically gets around $266,000 in private-sector pension plus Social Security in his or her retirement years. By comparison, the civil servant gets $542,000 and the military retiree $1,072,000. At higher salary levels the advantage favors federal retirees even more dramatically. At a preretirement salary of $50,000 the private-sector pensioner gets $398,000, the ex-civil servant $1,085,000, and the veteran $1,679,000. In short, the civil servant's retirement arrangements are two to three times as generous as the private-sector employee's, and the military's arrangements are over four times as generous.

The Grace Commission separately investigated the question of how civil-service pay compares with pay scales in business. The "comparability survey" of pay, position for position, regularly conducted by the Office of Personnel Management usually shows government pay lagging, but those who conduct it doubt its validity. That's partly because the positions and jobs are rarely the same. But the Grace Commission found that there's much more top-heaviness in government and less resistance to "grade creep"—people getting their positions upgraded. Seventy-two percent of middle- and upper-management government employees are at GS-11 level and above, compared to 26 percent of private-sector personnel at comparable levels. The average grade of a federal employee was GS-5.2 in 1949, GS-8.0 in 1974, and GS-8.5 in 1981. It appears that federal blue-collar workers are better paid position by position, that white-collar workers are somewhat less well paid, and that top-level government executives are very much less generously paid than their private counterparts. But different promotion rates modify this picture.

In any case, the real issue in pay is always whether good enough people can be attracted and retained at existing pay rates and other benefits to do the job. By this measure, the federal government grossly overpays since, according to the Office of Personnel Management, there are around 10 qualified applicants for each federal job. Only at the very top executive levels is there a case for pay raises to attract and keep qualified people.

There is more overspending in the federal retirement program than the sums attributable to improved pay scales. Government employees get unnecessarily rich taking their early retirement and their generous pensions and taking on second careers, which then give them access to Social Security and often a second, private pension plan. Grace suggests that the cost-of-living adjustment (COLA) be 70 percent of the consumer price index for former employees without Social Security and 33 percent of inflation for those with access to Social Security. Retired military would fall into the second category.

Foreign service officers have a retirement system almost as generous as the military and can retire on full pension at age 50 (no doubt to compensate for the wear and tear of the international cocktail circuit). Grace proposes that pensions of foreign service officers be cut back to the level of civil service pensions.

The commission's proposed reductions in pensions throughout the government would save about $20 billion a year. The report cites not only the fact that the original justification for better pensions (lower pay) is long since gone, but that the number of retirees and their retirement lifespans have increased hugely, and that it is not fair to taxpayers to pay pensions to well-off civil servants many times those paid in the private sector. Even with the Grace Commission changes, federal employees would be better pensioned than private employees. It is only *some* of their fat that would go.

The proposed cuts in military pensions have already received a critical reception from the Secretary of Defense, who says they would be disastrous to service morale and would hamper the Pentagon's recruitment and retention of personnel. They are an integral part of the overall compensation package, etc., etc.

Every one of the suggested cuts will have to be relentlessly argued, and each will have to cope with the classic imbalance in the political process of budgeting: those who stand to benefit by the spending are a concentrated, coherent, organized group whose members have a large vested interest in the contest and therefore fight effectively; but those who benefit from cuts are the general public, who are diffuse, unorganized, not a coherent group, and therefore virtually unrepresented on the political battlefield. Each taxpayer has relatively little at stake in a single contest, because he or she is bled with a thou-

sand small cuts. It is that structural defect in the political system that makes democratic politics perverse in its results and gives us overgrown and inefficient government at ruinous expense to the economy.

The Grace Commission does an excellent job documenting examples of unjustifiable government spending but, beyond the suggestion of a presidential line-item veto and biennial instead of annual budgeting, has no suggestions for overcoming at their roots the political disincentives to prudent budgeting. Maybe some of the smaller economies can be achieved through their mere documentation, as taxpayers see the sheer numbers and appalling extent of bloated spending. A few good businessmen like Mr. Grace appearing on talk shows and addressing conferences might help. And some feature articles and editorials? It would be nice to think that such action could rein in the federal budget beast. But even a random sampling of the abuses documented by the Grace Commission suggests that the battle to implement them will be fierce.

Take, for example, some of the abuses identified in the military (with the commission's savings calculations divided by three to give an estimate of annual savings):

- Maintenance of military bases other than those considered vital to national security costs $910 million annually.
- Providing separate heavy maintenance operations for each military branch costs $196 million more than a joint-service operation would.
- Underutilized Defense Department depots cost $39 million per year.
- Savings of $2 billion a year could be achieved simply by maintaining better information on defense spare parts. Currently, the Defense Department's failure to do standard "wall to wall" inventories results in massive anomalies in estimates of available spare parts.
- Pentagon purchasing idiocies accounting for untold millions include paying $91 for 3-cent screws, $100 for 25-cent breather caps for compressors, $114 for 9-cent batteries, and $511 for 60-cent lamps.
- "Dual sourcing," or competition, in providing equipment could save over $1.2 billion per year.
- Multiyear contracting by the Pentagon could save $1.1 billion per year.
- Commissaries (service supermarkets) operated by the Defense Department for current and retired military personnel lose $320 million per year and could, through private operation, earn the Pentagon hundreds of millions in rental income. Instead, the services are building new commissaries and proposing to expand the constituency supporting these taxpayer-subsidized food stores by allowing them to be used by broader categories of people, such as "former spouses" of military personnel and reservists and their families.
- Examples where private contractors run facilities on military bases show huge savings. In maintaining T-37 and T-38 trainer planes at Vance Air Force Base in Enid, Oklahoma, the Northrop Corp. uses only two-thirds the manpower and spends only 78 percent as much as the Air Force does elsewhere where it does its own maintenance. Moreover, says the Grace Report, aircraft availability rates under Northrop are 91.4 percent compared with 88.2 percent for the Air Force's air-training command systemwide.
- Veterans Administration nursing homes cost $109 per bed-day against $45 for private nursing homes (1981 numbers).
- The average length of stay in Veterans Administration hospitals is half as long again as comparable stays in private hospitals, resulting in excess costs of $1.6 billion per year.
- The Veterans Administration admits an error rate in its payouts totaling $500 million annually.
- The Civilian Health and Military Program of the Uniformed Services, a health-care program for the dependents of service personnel, is an expensive perk—$1.1 billion in fiscal 1983—which diverts dependents to civilian health services despite the gross underutilization of service hospitals and clinics.
- Of 124 military hospitals, only 8 reach the 85-percent utilization rate deemed optimal by private-hospital administrators—there's a potential saving of $314 million per year.

The Grace Commission unveiled equally inefficient practices in the myriad of federal welfare and disability programs:

- Disability payouts have risen from $75 million in 1967 to $650 million in 1982; and among the same total federal workforce (including military), there has been a massive rise in long-term disability cases.
- Food-stamp overpayment at a rate of 9.8 percent costs a billion dollars a year.
- Incompetence in the Social Security Administration has produced "suspense accounts" (items that cannot be posted to a specific category of expenditures or receipts) representing 138 million items and totaling $89 billion, severely hampering auditing of the system's financial status.
- Aid to Families with Dependent Children (AFDC) mispayments by the administering states cost the federal government $80 million per year.
- In 1982, $124 billion was spent on means-tested programs (welfare programs for which poverty-level requirements are set), but the Office of Management and Budget (OMB) has shown that 42 percent of those receiving such support had income in cash and in-kind benefits of more than 150 percent of the poverty level.
- Despite massive unfunded liability in the Social Security system and the prospect of confiscatory levels of payroll taxes to support it, $76 billion in Social Security payments goes to elderly people above the poverty line. Three-quarters of the payouts exceed entitlement, in the sense of what is due by way of the amount retirees and their employers paid in as

"It is the highest impertinence... in kings and ministers to pretend to watch over the economy of private people, and to restrain their expense.... They are themselves always, and without any exception, the greatest spendthrifts in society."

— ADAM SMITH

premiums and the earnings on those. Therefore, three-quarters of Social Security is straight welfare, not insurance, and constitutes a transfer from today's workers and business owners to the generally comfortable retired class.

- Social Security is administered from a manual consisting of 25,000 pages, which is sent to 45,000 officers, while a condensed version of the regulations would save $28 million per year and who knows how many headaches.
- 4,352 Social Security field offices are superfluous and could be closed, saving $96 million per year.
- Half of those qualified do not take food stamps, indicating that something is wrong with the qualifications and giving a clue to the enormous potential for further growth of this expensive welfare program. Thirty-four percent of food stamps go to people above the poverty line. A prize for ripping off the food-stamp system goes to a man in Minneapolis who was on the rolls in 13 different counties in five states.

Claims of organizational overlap, information mismanagement, redundancy, and sloppiness crop up repeatedly in the Grace Report:

- The Department of Agriculture is rife with overlapping agencies, having three research outfits and two duplicative soil conservation organizations, each with separate offices even at the county level. Bureaucratic fiefdoms abound, that is.
- Six separate federal agencies maintain their separate inspection services at ports of entry into America, when they could be consolidated for savings of $43 million per year.
- Federal Aviation Administration air traffic control inefficiencies (too many regions and uneconomic, low-volume control centers) impose unnecessary costs of $212 million annually.
- Vast quantities of reports are produced by the government at great cost but are often not read, let alone acted upon. An example cited is a 2,000-page annual report on properties owned and leased by the federal government that its authors at the GSA admit is completely useless because it is impossible to consolidate the data on individual properties.
- $230 million extra could be collected annually in delinquent money owed to the federal government if agencies reported the debts properly and according to standard definitions to the Department of Justice.
- Federal government recording and depositing of checks is slow. The Department of the Interior, for example, takes two weeks for a task normally performed within a 24- to 48-hour period in the private sector.
- Inadequate software and incompatible computer systems make it impossible for federal government agencies to cross-check income levels reported to detect fraud in welfare and other needs-based assistance programs. The resulting overpayments are estimated at about $1.4 billion.
- The Urban Mass Transportation Administration, despite a $10-million computer installation, has been unable to close its books since 1979, has not done accounts reconciliations since 1977, has no central ledger and so cannot sum its accounts payable or receivable, and was unable to provide the Grace Commission any financial data prior to 1980.
- There is no systematic depreciation accounting in government, so there is poor capital planning and a rundown in the nation's infrastructure.
- 123, or some 37 percent of, accounting systems used by the federal government are not up to standard according to the General Accounting Office.
- Payroll-check processing costs $3 to $4 per check in the federal government versus $1.25 to $1.50 in the private sector.
- The Department of Energy has eight separate accounting and payroll systems, with different monthly closing days, at an estimated unnecessary cost of $12 million annually.
- The federal government has 17,000 computers and spends $12 billion annually on them, but they are relatively old (6.7 years) and mismanaged. Acquisition of computers can take four years because of the involved internal approval process. Departments have incompatible systems, even internally. The Department of Health and Human Services has 10 different brands, all incompatible. Computer staff are underpaid, resulting in many unfilled positions.
- The federal government owns the world's largest motor-vehicle fleet (318,000), but the vehicles are driven an average of only 9,000 miles a year (compared with 25,000 miles found to be optimal by businesses), so the fleet could be reduced by at least 100,000.
- Sloppy air-travel arrangements, including "no shows" and failure to get discounts, cost $385 million per year. The no-show rate on Military Airlift Command is 12 percent, versus a 4 percent average on commercial airlines, making for unnecessary underutilization of military aircraft.
- Employees in government maintenance shops work about 42 percent of the time, compared with 62 percent in the private sector.
- Mismanaged mailing lists are costly, and proper management could save $32 million. The Grace Commission came across an example of one addressee who received 29 copies of the same government publication—that's 29 copies of each issue.
- The federal government operates 242 printing plants, despite the fact that contracting out almost invariably reduces costs. Government Printing Office (GPO) costs average 70 percent more than low bids when work is contracted out.
- The GSA, with 8,600 buildings worth $9 billion, spends $125 million and employs 5,000 people in property management, whereas a large life insurance company with 10,000 buildings valued at $8 billion (comparable) manages them with 300 employees at a cost of $9 million.
- Federal employees take two-thirds more sick pay than private-sector employees, and the Grace Commission recommends limits on sick pay that could save $1.2 billion a year.

"To preserve our independence, we must not let our rulers load us with perpetual debt. . . . [We must] prevent the government from wasting the labor of the people, under the pretense of caring for them."

— THOMAS JEFFERSON

• Federal workers' compensation is wide open to fraud and abuse, as there are no checks on multiple claims, no cross-referencing to detect alternative incomes, no verification of medical certification, and no income checking, with the result that 6.3 percent of employees make claims against the scheme compared to 1.7 percent in the private sector, and 3.2 percent of employees lose time from work against 0.4 percent in business.

Numerous government tasks could be performed by the private sector, or rates for government-provided loans and services could better reflect real market values:

• Flood insurance premiums are far below sound actuarial rates, leading to the need for taxpayer subsidies of $220 million per year.

• The federal government's Bonneville Power Administration runs a deficit of close to $1 billion annually in supplying power to the Pacific Northwest, because it does not set proper electric rates.

• Sale of the Washington airports, National and Dulles, would relieve the budget by $152 million annually.

• Greater private-sector participation in the space shuttle would save $508 million annually.

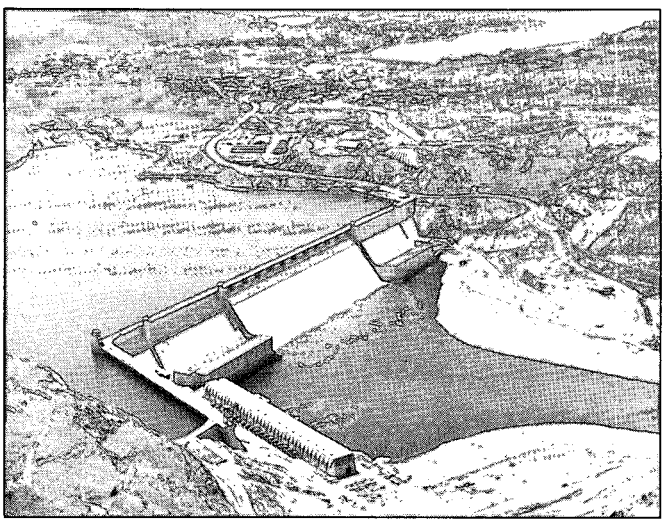
• Private operation of earth remote-sensing satellites (Landsats) would save $168 million per year.

• Killing handouts to agricultural market development outfits would save $61 million over four years.

• Discontinuance or privatization of the radio weather service would save $4 million.

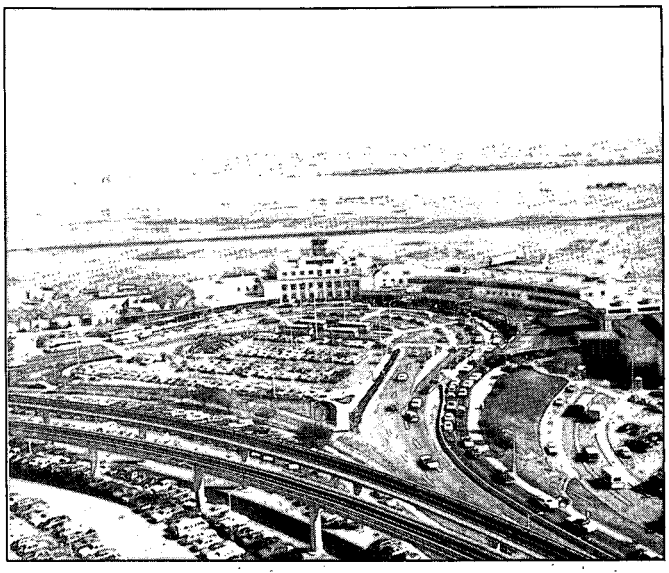
• Fully a quarter of government employees (excluding the postal service) are estimated as engaged in some 11,000 activities identical to commercial operations (for example, maintenance, security, cleaning, food service). This work could be done by contractors at savings estimated by the Office of Management and Budget at $1.7 billion annually.

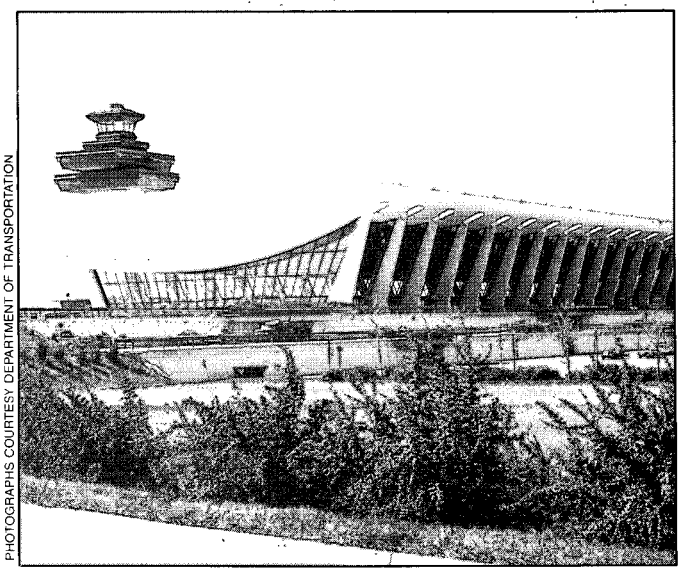
Given the scope of all these inefficiencies, it is no wonder the Grace Commission investigations concluded that, as businessmen, they would not acquire the government if it were an enterprise for sale. Unfortunately, American taxpayers have no choice in the matter. We can, of course, hope that policymakers in Washington take the Grace Commission's proposals seriously. But it remains to be seen whether they will in fact do so.



The Grand Coulee Dam is one part of the federal government's Bonneville Power Administration, which loses about $1 billion a year supplying electricity to the Pacific Northwest because it does not set proper rates.

PHOTOGRAPH COURTESY DEPARTMENT OF THE INTERIOR





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The Grace Commission estimates that by selling Washington, D.C.'s two airports, National (top) and Dulles (bottom)—both owned and operated by the federal government—taxpayers could save $152 million every year.

Even Reagan himself, who requested that J. Peter Grace undertake the survey on cost controls, came up with a 1985 budget including a paltry $8.4 billion in proposed spending cuts. Eight-and-a-half billion dollars? What happened to the $100 billion plus in other potential cuts outlined by his own cost-cutting commission? Perhaps Reagan intends to side-step Congress by implementing those recommendations (roughly 40 percent of the 2,478 total) that can be implemented in the executive branch without congressional approval. There are some signs that this is already happening on a small scale.

But even if Reagan is moderately successful in implementing changes through executive branch directives, 60 percent of the recommendations would still require congressional approval. Whether Reagan will confront Congress with these proposals is still uncertain. What is not uncertain is that if he does go to Congress, he will have a battle on his hands. The scope of that opposition is another whole story in itself. ◻

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Prohibition for the Younger Set?

When the Presidential Commission on Drunk Driving last November released its final report containing 40 or so recommendations "to reduce the carnage caused by drinking drivers on our highways," it fanned to fever level a long-time American obsession—the drinking-age debate. As an indication of that obsession, the ensuing media and public discussion virtually ignored the recommendation that the 32-member commission claimed would annually reduce alcohol-related traffic injuries and fatalities by tens of thousands—mandatory use of seat belts and child restraints—and instead focused on a recommendation that the commission said would save 734 lives a year: the implementation of a nationwide legal drinking age of 21.

"Public interest" advocacy groups rallied around the national drinking-age idea, and a corps of congressmen quickly introduced a variety of bills proposing to establish, through the use of various federal powers, a national drinking age of 21. Rep. James Florio (D-N.J.), for example, has introduced a bill that would prohibit the sale of any alcoholic beverages that were transported across state lines to those under 21 years old. And Rep. Michael Barnes (D-Md.) introduced a bill in late February this year that would cut federal highway funds by 25 percent a year to states that do not raise their drinking age to at least 21. (At present, 31 states have legal drinking ages lower than 21.)

Should the legal drinking age be 18 or 21? The debate goes on, but it ignores the fundamental issue.

But even before a presidential commission had endorsed the 21-year drinking age, the neo-prohibition movement had been growing. Since the early 1970s, more than 20 states have raised their drinking age. (Just last year, for instance, Wisconsin raised its legal drinking age from 18 to 19, and there are now both popular and legislative efforts to raise it to 21.) And the influential 300,000-member national interest group Mothers Against Drunk Drivers has made the 21-year national drinking age a major plank in its political agenda.

Moreover, many state legislatures are now considering other measures—in addition to raising the drinking age—to restrict the use of alcohol, such as "dram-shop laws" (holding the proprietor of a liquor-serving establishment responsible for the drunk driving of the establishment's patrons) and tighter regulation of the alcoholic-beverage industry.

Despite the failure of the last great prohibition, it is clear that the United States is once again experimenting with stricter government regulation of a common personal behavior. And much of the public, it seems, by and large welcomes—even demands—increasing government control of drinking. But while many urge such reform, only few have first asked, in light of past failures, whether prohibition actually works. And even fewer have weighed their calls for greater government control against the political safeguards that protect individual rights.

Almost everyone who calls for further restricting the right to drink defends this position with facts and figures and with the argument that limiting the right to consume alcohol will benefit the public welfare. Similarly, many proponents of a lower or no drinking age produce *their* favorite studies, which are said to demonstrate irrefutably that higher drinking ages create more problems than they solve.

But even a quick review of drinking studies shows that statistics can support both sides of the drinking-age debate. For example, a study entitled "The Effect of Minimum Drinking Age Legislation on Youthful Auto Fatalities, 1970-1977," by Phillip J. Cook of Duke

By Rex R. Reed

University, found that fatalities for those between 18 and 20 years old were higher in areas with a drinking age of 21 than areas with a drinking age of 18. Another study, "Death and the Legal Drinking Age: A Tri-State Study," prepared by Michael Birkley and published by the Blaney Institute of Madison, Wisconsin, found that Wisconsin, which has a drinking age of 18, had considerably lower alcohol-related fatalities per capita than its neighboring states of Illinois and Michigan, where the legal drinking age is 21. On the other hand, there are studies such as "Impact Analysis of the Raised Legal Drinking Age in Illinois," by Delmas Maxwell Johnson of the National Highway Traffic Safety Administration, which shows that when states raise their legal drinking age, there is less alcohol consumption among the affected age group, thus suggesting the effectiveness of a higher legal drinking age.

The ambiguity among studies that try to find the "best" minimum legal drinking age should not surprise anyone; for to use statistics in arguing one side or another of the drinking-age debate is to force something as unpredictable as human behavior into mathematical formulae and equations. But there is even a more fundamental problem with using studies and statistics to decide which rights individuals are to give up—such a procedure leads to a logical quagmire.

To illustrate what I mean, consider the argument for a drinking age of 21 because 18- to 20-year-olds account for 25 percent of all alcohol-related traffic accidents. (Incidentally, 21- to 24-year-olds account for another 25 percent.) The implication is that it is in the interest of the public's safety to reduce traffic accidents even at the expense of individual rights. But if that is true—if the interest is solely in reducing accidents by 25 percent (why not 50 percent, or 75 percent?)—why deny the right to drink to those (or only those) under 21? Why not choose an age group older than 20, such as those 55 or older? That age group begins to develop other characteristics that compound the accident problem, such as poor eyesight, slower reflexes, and so on. Or why not be equitable and rotate the burden among the four age groups that each account for 25 percent of alcohol-related traffic accidents?

Reasoning based solely on the "common good" and statistics becomes even more complicated. For example, the study by Birkley, mentioned above, found that in some years the age group of 21- to 24-year-olds actually is involved in *more* alcohol-related accidents than those under 21. And Prof. Michael F. Morris of Pensacola Junior College in his study "Drinking-Driving Behavior in Florida" found the same to be true in Florida. Does that mean at the end of each year we should tally the traffic-accident statistics and deny the losing age group the right to drink legally for the next year?

The use of statistics to decide who gets to exercise what rights also begs the question of how many rights individuals will have to give up for the so-called common good. If denying those under 21 the right to drink legally will reduce alcohol-related traffic accidents by 25 percent, for instance, is that good enough reason to interfere with individuals' freedom of choice?

If society answers yes and prohibits drinking for those under 21, other questions arise. If 21 were the national legal drinking age—and were effectively enforced—some *new* age group above 21 will then account for 25 percent of alcohol-related traffic accidents. So if the "common good" was an acceptable argument to deny those under 21 the right to drink due to the number of alcohol-related traffic accidents they caused, should the same logic be applied regarding the new age group now accounting for 25 percent of the alcohol-related accidents? This question would persist with the establishment of each new drinking age. Clearly, that criterion cannot be used to set a drinking age, because when followed to its logical conclusion it takes the right to drink away from everyone.

If society can remove the rights of a small group solely on the grounds of statistics and the perceived common good, what is to prevent a government from applying that logic to other rights and other groups? For example, suppose that women as a group committed the majority of checking-account overdrafts. Should they then be denied checking accounts to shield the public from the economic havoc caused by overdrafts? (A similar argument is made for gun control: because *some* people—a small minority—use guns to commit crimes, then *everybody* should be denied the right to possess a gun.) In the past, black slavery and female disenfranchisement were excused in part by similar appeals to the "common good." And the list is endless. If individuals give the government the power to deny rights based on the supposed common good, we *may* have a safer society, but we will have spared ourselves the value of living.

Of course, none of this is to say that anyone has a right to drive while drunk. Those responsible for the public safety may legitimately establish and enforce rules of the road. And injuring another while driving under the influence of alcohol should be treated as the rights-violation it is.

The rejection of a minimum legal drinking age, thus leaving the decision to drink to individuals and parents (and bars and liquor stores), may seem like a radical departure from current practice or an untried social theory; but it is neither. Many countries, in fact, have a long history of no drinking age. Italy, for example, is one.

Drinking-age proponents are quick to point out that Italy has a greater per capita consumption of alcohol than the United States. They then argue that the US system of controlling alcohol accessability—they assume a legal drinking age works—is better than Italy's system of allowing individuals to make their own decisions about drinking. But what those same people often fail to point out is that America's alcoholism rate is eight times greater than Italy's. What controls the consumption of alcohol in Italy, then, is not a minimum drinking age but cultural mores—something that government laws cannot duplicate or improve.

Israel, too, has no minimum drinking age, yet alcohol problems there are reported to be almost nonexistent. Instead, culture and custom control the use of alcohol. In the case of Israel's Islamic population, their religion forbids the drinking of alcoholic beverages. Among Israel's Jews, alcohol is associated with cultural customs and religious ceremonies. As a consequence, both populations view the abuse of alcohol as offensive to society and religion.

Still, some argue that drinking is not a right to be decided solely by individual choice. But the lesson of the Prohibition offers powerful evidence to the contrary. During Prohibition there was a wholesale disregard for laws against drinking because people considered drinking to be a personal right. Individuals, that is, felt that drinking is *not* a privilege granted by government but a *right* of individual decision.

Individual decision is a notion central to the drinking-age debate—and to the gun-control debate, the drug-law debate, the gambling-law debate, etc.—because the individual, not the group, is responsible for his or her behavior. When government establishes a minimum legal drinking age, then, it is denying individuals the fundamental right of choice. And the denial of individual choice by a government is nothing but tyranny.

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An Education in Empire Building

How does a bureaucracy save itself from extinction? The Department of Education has a lesson plan.

By John Fund and Martin Wooster

Among the dozens of alphabet-soup agencies that Ronald Reagan came into office pledging to rein in, the Department of Education stood out as the object of a special animus. Its establishment was one of the landmarks of the departing Carter administration. The bill creating the department had passed the house by only four votes in 1979, almost being derailed by an unusual coalition of the New Right, the *Washington Post*, the 600,000-member American Federation of Teachers, Catholic educators, and... Ronald Reagan.

On the 1980 campaign trail, Reagan returned often to the theme of an overbearing federal education bureaucracy. Education, he insisted, is the responsibility of states and local school boards. The Department of Education was "President Carter's new bureaucratic boondoggle." In tune with the Republican Party platform, Reagan vowed to dismantle it if elected.

Three years later, in December 1983, Secretary of Education Terrel Bell stood in triumph before a cheering crowd of 1,700 career educators in Indianapolis, celebrating the recommendations of the National Commission on Excellence in Education. In its widely publicized report, *A Nation at Risk*, the commission called for such "reforms" as a longer school day and higher teacher salaries, without, however, noting how much the recommendations would cost. The National Education Association estimated the proposed reforms might require $23 billion a year in added state and federal aid.

The schools would be saved, Bell told the enthusiastic crowd; he implied that no longer would educators fear budget slashers. The United States was entering "a new era in American education... our finest opportunity in decades. We must not fail to bring it to full fruition."

And as 1984 dawned, Terrel Bell's department gave every sign of having become an entrenched bureaucracy. Each year, its budget resists shrinking in spite of much-touted streamlining and savings; what is taken from one budget area with the right hand is lavished on another with the left. The department weathers scandals with scarcely a dent in its image. Audits have turned up likely misspending of federal education grant monies by Jesse Jackson's PUSH-EXCEL program, but the department has managed to sit on politically sensitive details of those audits that we turned up in our investigation. We discovered that in another case, the department is laying plans to re-fund a research institute closed down in 1982 under the cloud of another spending scandal. And now Terrel Bell is dreaming of getting his department into a new product line that would guarantee the Education Department a spot in the political sun for many seasons to come.

The department slated for extinction has staged a remarkable turnaround. The story of how it happened is a story of how skillful bureaucrats operate in Washington, D.C.

In the heady euphoria that surrounded the Reagan entourage after their landslide 1980 victory, Edwin Meese III, Reagan's closest aide, had seen no need for the "new era" in federal education policy that Terrel Bell would later celebrate. Meese publicly called the Department of Education "a ridiculous bureaucratic joke" and privately, according to one of our sources, said that the only question left unanswered about its fate was "whether we should give the

bureaucrats inside a warning before we blow the place up."

The selection of a cabinet secretary to head the department was delayed for six weeks as candidate after candidate demurred. Few wanted to captain a vessel bound for the breakers. According to Fred Barnes of the *Baltimore Sun*, Meese and personnel recruiter Pendleton James became desperate. Presidential pollster Richard Wirthlin suggested they look up his old friend from Utah, Terrel Bell, who had served as commissioner of education at the old Department of Health, Education and Welfare (HEW) under Richard Nixon and Gerald Ford.

James and Meese were in California and scheduled to fly back to Washington. With time running out, they flew Bell from Utah to the San Diego airport where they were about to board a plane heading east. After a hurried 30-minute conference in the airport terminal, they agreed to recommend Bell to the president.

Less than two weeks before the inauguration, Bell was finally named to the cabinet. He breezed through his confirmation hearings, with minimal sniping from Reagan critics. Small wonder, since in many respects he was an odd choice for the Reagan administration.

A lifelong professional educator, Bell had for years been a champion of a clearly defined, albeit limited, role for the federal government in education. Incredibly enough, in the Carter years he had actually testified before a congressional committee *on behalf of* creating the Department of Education, the agency he was now assigned to abolish.

Or was he? Shortly after his nomination, Bell met with reporters and was asked what plans he had to work himself out of a job. He replied that in his meeting with the president, neither Reagan nor his aides had suggested disbanding the department—they had only asked him to study the matter and propose how the federal education bureaucracy should be structured in the future.

The political appointees who had been brought into the department, however, were not at first content merely to "restructure" the bureaucracy. Some wanted to "defund leftist groups" (and subsidize conservative ones instead). Others were out to perform radical surgery and abolish their own jobs.

Dozens of conservatives had been recruited into the department by such appointees as Susan Phillips (sister of Conservative Caucus leader Howard Phillips), Charles Heatherly of the Heritage Foundation, and Daniel Oliver, a former executive editor of *National Review*. They were told that plans for abolishing the department were being readied.

"The game plan was that this was an 18-month hit-and-run assignment," recalled Scot Faulkner, one of the disillusioned recruits who ultimately left the department and was willing to talk to us. "We would spend six months tightening the place down, six months pushing the abolition bill through Congress, and six months shutting the place down." Faulkner said he was even given a timetable for the department's demise: January 1, 1984, was to be D-Day (*D* for Demolition).

Many appointees had extensive experience in management or academia that they intended to use in paring down the department. Jim Lombard, a successful Florida businessman who became administrator for management services, described his forthright administrative style. "I would hold staff meetings with the career bureaucrats, and just to let them know things were going to be shaken up I would leave a dynamite plunger in the center of the table," he recounted.

Once, a career bureaucrat who had supervised dozens of employees attended, said Lombard. "His eyes opened wide as saucers and he asked, 'Is this an indication of your new management policy?' I replied, 'I'm afraid so.' The guy mumbled something and left shortly afterward." When we asked Lombard why he departed after only seven months on the job, he explained, "I was completely frustrated and realized I was not getting anywhere."

A number of conservative appointees recounted incidents that illustrate their initial zeal to dismantle the department. One said he was asked if he planned to pursue more RIFs (reductions in force), the government's euphemism for layoffs. "I said no, that we would instead be engaged in RWFs—reductions *with* force." Another appointee recalled, "Every time I was able to can a consultant, his personnel file would go on a spike mounted behind my desk—what I called my trophy wall."

Zeal soon gave way to frustration, however. One conservative detailed how the career bureaucrats worked to hold up his plans. "As we got into the guts of my operation, we heard screams of pain. We could have gotten rid of almost everyone there. Their counterattack was to tie my people down in meetings. We constantly heard complaints from the bureaucrats that we weren't 'interfacing' with them enough."

Meanwhile, in his first year in office the new Education secretary spent his time, not on Reagan's promised dismantling, but on rescuing the department from David Stockman's budget slashers. The Office of Management and Budget (OMB) proposed to cut Bell's department by 30 percent, apparently taking Bell by surprise. "He knew the philosophy and the platform, and he was prepared for budget cuts," one close associate told the *Washington Post*. "But no one would have predicted the cuts would be so deep." Bell proceeded to make sure they *wouldn't* be so deep.

The administration finally asked Congress for $13.5 billion for the Education Department for fiscal 1981, $2.1 billion less than the Carter administration had advocated before it left office but only $600 million lower than the department's allotment of the taxpayers' money in fiscal 1980. Congress went along with cuts in some programs but increased funding for others. The final departmental budget was $14.8 billion, slightly more than the previous year's spending.

The Washington "educational-industrial complex" was of two minds over Terrel Bell. Many privately considered him a traitor to the cause, a "former" public educator who had joined an administration hostile to the department they'd fought so hard to establish. Others believed that Bell only reluctantly defended budget cuts of which he largely disapproved. "Anybody concerned about education should be grateful Ted Bell is down there," Rep. Paul Simon (D-Ill.), chairman of an Education and Labor subcommittee in the House, told the *Los Angeles Times*. "I'm sure it's tough on Ted," seconded Robert D. Benton, Iowa's chief school administrator and an old friend of Bell's. "Many of the things being dismantled were put into place at his urging or when he was in authority before."

In August 1981, Bell unveiled his long-awaited plan to "dismantle" the Department of Education. The agency, he proposed, could be transformed into a "national educational foundation" similar to the National Science Foundation. The foundation would keep most of the Education Department's major programs, although cutting its budget to $8.8 billion for fiscal 1982. Another $1 billion in programs would be transferred to other agencies. Congress couldn't have been less excited, and one department official told us privately it was "a half-baked idea." It quickly died.

However, even conservative critics of Bell concede that little could have been done in the face of obstinate congressional opposition. The Senate Labor and Education Committee, although chaired by Republican Sen. Orrin Hatch of Utah, included such liberal Republicans as Sen. Lowell Weicker of Connecticut and Robert Stafford of Vermont. Stafford at

one point accused Reagan of wanting to have "the federal government turn its back on the nation's schoolchildren."

"After the blitzkrieg of the first few months, it became trench warfare with Congress," one administration lobbyist told us. "Nothing was going to get past those guys unless it had a full-court White House press behind it." And that it didn't. Several conservative appointees went to the White House with their concerns. According to one, "We begged and pleaded for support in shutting the place down. It never materialized. They coddled us and said it wasn't on their list of priorities."

Finally, in May 1982, one frustrated appointee—Edward Curran, director of the National Institute of Education, the department's $50-million-a-year research arm—tried to take his concerns directly to President Reagan. He wrote a letter to Reagan in which he urged the immediate abolition of his grants-making agency, which he characterized, according to our sources in the Department of Education, as "wasteful and unnecessary" and ideologically tilted toward the left. Curran obtained a secret mail code used to route letters to the president's personal atten-

COMPUTER COUP IN THE CAPITAL?

When creation of the Department of Education hung in the balance in 1979, its advocates averred that it would never attempt to develop a national curriculum policy or direct from Washington which textbooks should be used by local school districts. While the department has maintained a hands-off policy in the literal sense, Secretary Terrel Bell has lately plunged ahead with promotion of a major effort to develop the modern successor to textbooks—computer software—which will soon be used in schools all over the country.

Bell told the House Science and Technology Committee last year that the federal government must make a major effort in developing the technology—one "equivalent to the research and development effort of the famous Manhattan Project of World War II, or NASA's space shuttle of today." And indeed, the department's budget for fiscal 1985 includes a $6-million increase for the National Institute of Education, much of which is to be used "to expand its program in educational technology." Discussing this program, Charlotte Iserbyt, a former National Institute of Education appointee, pointed out to us that "federal subsidies to develop computer teaching programs could lead to a monopoly situation in which only software with the Washington-seal-of-approval has a chance in the market. That's close to a national computer curriculum."

From the beginning of the Reagan administration, computers were always to be the jewel in Terrel Bell's crown. In June 1981, Bell sponsored two nationwide teleconferences with professional educators to discuss the federal role in promoting education technology. Out of those meetings came a "technology initiative," an effort by the Department of Education's Office of Education Research and Improvement (OERI), led by Assistant Secretary Donald Senese, to promote the use of computers in schools.

In 1982, Senese's office awarded a contract to the American Institutes of Research (AIR) in Palo Alto, California, to determine what role the federal government should play in creating computer software. In June 1983, AIR researchers Darlene Russ-Eft and Donald H. McLaughlin issued their conclusions. After conducting 17 meetings nationwide and interviewing over 200 software developers, AIR concluded:

1. The federal government should develop a leadership position, in order to focus attention of software developers on the school market and in order to ensure excellence and equity in the use of computers in education.

2. The federal government should fund projects aimed at the development of high-quality software, based on careful research . . .

3. The federal government should support efforts in the areas of developing a) standardization in hardware and software languages, b) software evaluation standards, and c) regional resource centers, in order to increase schools' abilities to select and acquire high quality software.

The AIR findings were well suited to a bureaucracy trying to impress the public and the politicians with its necessity, and Senese acted swiftly. By September 1983, OERI was funding at least 10 projects to develop computer software. The largest was Ohio State University's TABS program, a $780,000 effort to teach geometry to disadvantaged children. Then there was the Cambridge, Massachusetts, consulting firm of Bolt, Beranek and Newman's "Project Quill," a $775,000 effort to create a federally funded program to teach students how to write; after three years, it was to have been perfected "for successful widespread use" across America. In December 1983, Secretary Bell allocated a further $1.5 million for 12 additional educational technology projects.

A new federally funded educational research laboratory for math, science, and computer education similar in concept to the notorious CEMREL laboratory (see sidebar, page 46) is also planned. The $7.7 million, five-year contract for the new laboratory was won by Harvard University despite its being underbid by $3.2 million by the Bank Street College of Education in New York. Bank Street was recommended for the contract by a technical panel of education experts, but their decision was personally overruled by National Institute of Education (NIE) director Manuel Justiz.

Our sources within NIE allege that Justiz's decision was a gift to Rep. Silvio Conte (R-Mass.), who, as the ranking minority member of the House Committee on Appropriations, has always been a leading advocate of federal spending for education research. The decision to award the contract to Harvard was made in Conte's office, where the jubilant congressman called himself "the person who initiated the legislation that culminates in this award here today."

Conte has denied any wrongdoing in the awarding of the contract, but Rep. Ted Weiss (D-N.Y.) has asked the General Accounting Office to investigate the NIE's contracting procedures. The investigation is not scheduled to be completed until this fall

Meanwhile, in a speech in February, Education Secretary Bell called for the states to establish regional associations to assess textbooks and computer software. Following up on this idea, he later suggested to *Education Week* reporter Thomas Toch that the regional groups could use federally funded NIE laboratories to do the evaluation. "There's too much separate go-it-alone action going on all across the nation," said Bell.

Can federal curriculum "guidelines" be far behind such sentiments?

tion and dispatched his appeal. However, Curran deputy Larry Uzzell informed us that the letter was intercepted by Richard Darman, top aide to White House Chief-of-Staff James Baker. "Darman was instrumental in *creating* the National Institute of Education when he was working for Nixon's HEW secretary, Eliot Richardson," Uzzell told us. Darman alerted Bell to the transgression, and Curran was fired a few days later. There is no evidence that President Reagan ever saw Curran's letter.

While would-be dismantlers left or were told to leave the department, Bell continued his behind-the-scenes lobbying against budget cuts and vigorously defended his tenure in informal speeches before education groups. In one speech before the Council of Chief State School Officers and the National Association of the State Boards of Education in March 1983, Bell said, "I've been raising my voice for a moderate position with respect to the budget and with respect to the federal role....I haven't been for abolishing the federal role, as many feel to abolish the department means."

And Bell was doing more than helping Congress keep Education spending high. At the same time as he floated the proposal to create a "national education foundation," Bell had suggested naming a commission to examine the status of American education. Bell outlined his plans in a four-page memorandum, dated July 6, 1981, which was sent to Craig Fuller, director of the White House's Office of Cabinet Administration. The Reagan team, Bell intoned, must "call attention to an alarmingly persistent decline in quality education." He reassured the White House that the commission would *not* ask for increased federal expenditures or an expanded federal role in education. He emphasized that reduced federal rules and paperwork would be "one means of enhancing quality in our schools."

With such assurances, the White House gave the go-ahead and even let Bell select most of the members. Overall, they represented a who's who of the national educational establishment: A. Bartlett Giamatti, president of Yale University; Nebraska Education Commissioner Anne Campbell; lobbyist Robert Haderlein of the National School Boards Association; and, as chair of the commission, David Gardner, then president of the University of Utah and now president of the University of California system.

Almost all the members strongly opposed Reagan's call for abolishing the

Education secretary Terrel Bell, hired to abolish the department, soon embraced it as his own, promoting a "new era" of education in America.

Just a few days after he recommended the abolition of the National Institute of Education, Edward Curran was dismissed from his job as NIE director.

As Department of Education general counsel, Daniel Oliver was enthusiastic about reducing the federal role in education–and Education secretary Terrel Bell fired him.

Education Department. "Haderlein's sole concern on the commission seemed to be to squash any mention of or support for tuition tax credits," former Education official Larry Uzzell told us. "Indeed, tax credits were conspicuous by their absence from the report."

When the commission's report, *A Nation at Risk*, was finally released in April 1983, it sounded the apocalyptic note now familiar to Americans, declaring that "the educational foundations of our society are presently being eroded by a rising tide of mediocrity." Yet as Hugh Joseph Beard, former deputy general counsel at the Department of Education, observed, it "criticized the methods but not the structure of the educational status quo."

The report remained silent on whether the Department of Education should be abolished. Meanwhile, it recommended "federal leadership" in a host of areas, including: "the needs of key groups of students such as the gifted and talented, the socio-economically disadvantaged, minority and language minority students, and the handicapped...collecting data, statistics...supporting curriculum improvement and research on teaching learning, and the management of schools, supporting teacher training in areas of critical shortage of key national needs." As Larry Uzzell pointed out to us, "The commission's areas of federal responsibility coincide *exactly* with the current mission of the Department of Education."

No dollar amounts were attached to any of the commission's recommendations, leading former department official Scot Faulkner to remark to us that "a Jesuit could say that the commission kept Bell's promise not to push for more money, but every page had dollar signs all over it." Denis P. Doyle, an education specialist with the Washington-based American Enterprise Institute, estimated "conservatively" that it would cost $13.5 billion to implement the most talked about commission reforms such as higher teacher salaries and a longer school day.

President Reagan tried to put the best possible face on the commission report. At a White House ceremony the day the report was issued, he announced that he would "continue to work in the months ahead for passage of tuition tax credits, vouchers, educational savings accounts, voluntary school prayer and abolishing the Department of Education"—none of which had been mentioned in the commission report.

Bell himself considered the report a "major victory." One Department of Education source said that the secretary

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"feels better about this than anything he's done since he came to town." As well he might. The report catapulted education several notches up the administration's list of priorities, and for several weeks much of the White House was engaged in "damage control" to rebut charges that heartless budget cuts had alone created the scholastic desert depicted in the report.

The emergence of education as a national issue also apparently induced Reagan to all but abandon any thought of abolishing Bell's job. "I've talked it over with the President," Bell told the *New York Times*. "And we're not going to be pushing for that, at least through 1984."

White House staff members went further in background briefings, saying there was "no question" that abolition was a pipe dream. "As long as the Department of Education is there, let's reprogram it—keep the department but change the agenda," one said. When reporters in June 1983 asked White House spokesman Larry Speakes if Reagan still wanted to kill the department, the reply was, "I wouldn't assume it either way."

Bell luxuriated in his new importance: rides on Air Force One with the president, appearances on *Meet the Press*, and standing ovations from the same groups that had previously scorned him. He also felt confident enough to disobey direct White House instructions and replace his general counsel, Daniel Oliver, while Oliver was on vacation in Greece. A former editor at the conservative magazine *National Review*, Oliver had pursued an agenda at the Department of Education that often proved a thorn in Bell's side. Prior to his ouster, Oliver drafted a memo upholding the view that the National Institute of Education was legally under the control of the National Council on Educational Research, which had been packed with conservative appointees such as chairman George Roche, president of Hillsdale College. Contrary to Bell's wishes, Oliver wanted NIE operations to be directed more closely by the conservatively inclined NCER.

When the White House ordered Oliver restored after Bell had dismissed him, Bell threatened to resign and refused to go to work as long as Oliver was in the building. "The Secretary went home for two and a half days," one aide told a reporter. Oliver left and Bell returned. When asked about such ideological disputes, Bell said, "I think some of our conservative friends in the department are learning about some of the realities we face."

How successful were the conservatives in altering departmental policy? "If you want a streamlined, better-managed department, they've made some progress," former Education official Scot Faulkner responded to our questions. "But in terms of reversing federal intrusion in education, the Reagan years have

A SCHOOL OF SCANDALS

The Department of Education has been plagued with many scandals since its inception in 1980. One of the most illustrative involves the unauthorized use of federal funding for the Rev. Jesse Jackson's Operation PUSH, long considered an appendage of Jackson's political ambitions. Jackson, a Democratic presidential candidate, founded Operation PUSH in 1971 as an organization to give money and motivational training to innercity blacks.

Last year the Education Department's Office of the Inspector General completed nine audits of federal grants awarded to PUSH-EXCEL, a nonprofit youth educational organization spun off of Operation PUSH in 1975. The auditors concluded that of the $4.9 million given to PUSH-EXCEL by the government from 1977 to 1981, nearly $2 million was spent in ways that may have violated federal regulations prohibiting funding of organizations engaged in political activity. We obtained copies of the audit reports, which show the kinds of misspending turned up by the auditors.

The examiners found a pattern of cooperation between the two organizations: "PUSH-EXCEL and PUSH share office space in a Chicago building owned by PUSH. They also share certain programs and supportive service personnel. Common expenses were also shared by both organizations."

So close were the two organizations that the federal government, through grants and contracts awarded by three separate departments, paid travel expenses and registration fees for employees of Operation PUSH to attend at least three PUSH national conventions—those held in 1979, 1980, and 1981. In addition, auditors charged that tax dollars were used to pay for "multi-image slide presentations" at the 1979 PUSH National Convention in Cleveland.

Federal money, auditors found, was used for far more than underwriting some of the costs of PUSH national conventions. Perusal of the audit reports turned up these examples of spending deemed questionable by the auditors:

- **A $1-million contract awarded to provide aid to "innercity school students to promote excellence and improve motivation" was used to buy "basketball uniforms for a fund-raising celebrity game...a contribution to a Los Angeles high school for a dinner dance...costs relating to a girls basketball tournament and band activities." PUSH-EXCEL also charged the government for entry fees for a parade float sponsored by the Los Angeles Chamber of Commerce.**
- **A grant made by the Department of Education's chief research arm, the National Institute of Education, was used by PUSH-EXCEL to print 10,000 Christmas cards bearing an autographed photo of Jesse Jackson on the inside.**
- **A $656,644 grant, awarded by the Department of Education in March 1981, was used for "insurance for a dance group," donations to a Chicago track club, and airfares for a grantee "to coordinate Atlanta Black College Day Activities and the Black Leadership Conference in Holly Springs, Mississippi."**

In addition, the auditors noted that, on one site funded under this grant, "one month's site-activities report" included the following:

- **Mailing out 2,000 letters to area businesses and regular contributors.**
- **Writing letters to foundations seeking donations.**
- **Selling tickets for a dinner playhouse that would raise funds for those attending a PUSH convention.**
- **Planning and attending business luncheons to obtain donations.**

Although the use of government grant money to support fund-raising activities is not necessarily illegal, the uses made of this grant are certainly far removed from its original purposes.

been a zero."

From the traditional Republican goal of creating a more efficient and cost-effective government, the Reagan administration can point to some accomplishments:

• The department has the best record of any federal agency in pruning its bureaucracy. From January 1981 to January 1984, the department's work force dropped from 7,200 to 5,400, a 28 percent reduction.

• In an effort to cut red tape and give local school districts greater autonomy, 33 elementary and secondary programs were folded into "block grants" to be administered by the states at a savings of $250 million a year. By the department's own estimate, this change alone eliminated 170 of the 1,800 pages of regulations that govern its programs.

• Hundreds of student-loan collectors were fired as the delivery of aid to college students was contracted out to private companies.

• Congress went along with an administration suggestion to apply a "means test" in handing out aid to students from families earning $30,000 a year or more. Such measures, coupled with declining interest rates, helped halt the rapid growth of the Guaranteed Student Loan program, which, even after accounting for inflation, had more than quadrupled between 1978 and 1982.

• The size and scope of the department's 10 regional offices were sharply pruned. Tom Tancredo, head of the regional office in Denver, told us that when he arrived, "There were 200 people here, and of that, 22 people were on my personal staff alone. We had guys making $40,000 a year who did nothing but clip newspapers." Today, Tancredo presides over an office of 70 employees and a personal staff of 6.

But conservative appointees in the department regard these achievements as shadow and not substance. "You could have the finest team of corporate managers money could buy in here, and it would raise the competency from abysmal to mediocre," Education official Hugh Joseph Beard told us shortly before he left the department. "You can't spend the money wisely unless you challenge the underlying assumptions of programs that actually work to *lower* educational skills."

And however much the Education bureaucracy has been cut back, it has not been abolished, as promised by the campaigning Reagan, and there is doubt that a significant effort was ever made to keep that promise. The savings from cost-effectiveness reforms have not even translated into cuts in the department's budget, which has increased by $1.3 billion in the Bell/Reagan years. The department that three years ago was supposedly on death row today stands paroled and even vindicated.

And so the bureaucracy lives on. After unveiling his education commission's report, Bell mounted a traveling road

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Most federal agencies terminated funding to PUSH-EXCEL in August 1981. The Department of Education, however, continued to fund the group until February 1982. Audits of PUSH-EXCEL began in March 1982 but were protracted when Department of Education auditors discovered that PUSH-EXCEL books either did not exist or could not be separated from Operation PUSH accounts. As a result, the department's audits necessarily became an investigation of Operation PUSH, as well. The audits were not completed until August 1983, and final reports are not scheduled to be completed until June 1984, nearly *six* years after the initial grants to PUSH-EXCEL were first made.

When the auditors' conclusions about the amount of grant money possibly misspent were revealed last year, Jackson dismissed the matter as "disputes between accountants." The previously undisclosed details of the audits, however, support a less-innocuous conclusion, and these "disputes" could drop a bombshell in the middle of Jackson's presidential campaign. "These audits are so sensitive," said one of our sources intimately familiar with the reports, "that they're guarded with lock and key."

The audits of Jesse Jackson were not the only ones to be delayed indefinitely. In March 1981, audits by the National Institute of Education of CEMREL, a St. Louis-based education research laboratory that received 97 percent of its funds from the Department of Education, were leaked by Sen. Orrin Hatch (R-Utah) and picked up by the *St. Louis Press*. According to these audits:

• Wade Robinson, president of CEMREL, spent $19,918 on two private trips to Egypt in 1979 and 1981, while Robinson was also on retainer to the Egyptian government to develop school programs.

• An unspecified amount of money was supplied to Robinson as interest-free loans, supplementing his $50,000-a-year salary.

• $15,121 in government money was used to pay for the salary of a graduate student at the University of Missouri who attended classes during the hours he was supposedly working on his federally funded job.

• $75,000 was spent to cover travel and entertainment expenses for trips to San Juan, Puerto Rico; Disney World; and Washington. In the last city, CEMREL officials treated Department of Education bureaucrats to dinners at the swank Rive Gauche restaurant.

• Between 1975 and 1978, $39,000 a year went to David E. Wiley, an education researcher who simultaneously received a $27,000-a-year salary as an associate professor of education at the University of Chicago.

• CEMREL used at least $36,000 of federal funds, awarded for education research, for such items as donations to the St. Louis County Police Officers Association and tickets to St. Louis Spirits basketball games.

George Parry, a Chicago financial consultant who served as principal whistleblower on CEMREL, said, "I find it heartbreaking that, while test scores have been declining across the country, money that was supposed to go to educate American kids has been going into hotel suites, foreign trips, and making long-term, interest-free loans to top staff members."

Yet, despite the resignation of Wade Robinson and two other top officials and reports by Department of Education auditors questioning the disbursement of $4.7 million in federal funds, plus a federal grand jury investigation, CEMREL was allowed to live for 18 months. It was only in November 1982 that federal funds were finally terminated, forcing the laboratory to close. "We have to consider the public interest," said Robert Sweet, acting director of the National Institute of Education, when CEMREL was finally closed. "We must keep the public confidence."

However, while CEMREL has been closed, the law mandating a federally funded education research laboratory in the Midwest as one of 17 such centers around the country has not been changed. And a top-level NIE official told us, "CEMREL hasn't died. There'll be a new lab by next year." One source even hinted that it might employ some of the same personnel as the scandal-ridden St. Louis lab.

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show to build support for his revitalized agency: 12 major "issue forums" held around the country to tap "grass-roots opinion." One top Department of Education official told us the forums only served to "create an atmosphere for a lot of weird ideas."

Another department employee who was flown to the concluding "national forum" in Indianapolis in December described the extensive preparations for the event. "I couldn't believe the money we were spending," he said. "I met people who had been there for two weeks already. Something like 280 people were flown in for what essentially was a giant pep rally for the NEA" (the politically powerful teachers' union).

The Indianapolis event marked the zenith of Terrel Bell's rise from caretaker of an agency slated for extinction to a man who, gushed Republican National Committee Chairman Frank Fahrenkopf, "holds the most important job next to the President of the United States." The White House had been transformed from an enemy of federal aid to schools to a reluctant champion of the educational establishment's agenda. The conservatives within the department either had been fired, had transferred themselves to other agencies, or had had their voices stilled by the permanent bureaucracy. Instead of overseeing its abolition, Terrel Bell presided over the renaissance of the Education Department.

Preparing to build on his successes, last November Bell issued his annual report to his assistant secretaries detailing the "high-priority objectives" he expected his subordinates to fill during the new fiscal year. The first five pages detail how the department should pursue "the promotion of more effective learning and the enhancement of excellence in education" by making the process of giving away government money simpler. The report asks top Department of Education officials to trumpet the findings of *A Nation at Risk* across the land, identifying "nationwide trends that indicate a critical need for action."

Any thought of President Reagan's original promise to abolish the Department of Education seems to have gone the way of the one-room schoolhouse and the McGuffey readers. "We're stuck with this place," a top department official conceded to us. "This building is made up of monuments to members of Congress. The only hope of toppling it would have been in the first 90 days of the administration, and the nomination of Bell scotched any prospect of that."

When we asked Rep. John Erlenborn (R-Ill.), retiring as ranking minority member of the House Education and Labor Committee, whether the federal foot-in-the-door of American education is here to stay, he agreed that it is. "The fervor for doing away with the department is not as strong as the opposition to its creation in 1979," he said. "Inertia has set in, and even some people who opposed it before will now resist change."

In the administration's proposed Education budget for fiscal 1985, several programs are slated to receive increased funding—including federal planning of "master teacher systems" for the states, to reward "outstanding" teachers, and, incredibly, the start of a major effort to develop computer software for classroom use. Despite the hundreds of small firms creating educational software, Bell somehow sees a need for a federal role in the software market! "Much of the software leaves a lot to be desired," he opines. And so he has proposed a major "technology initiative" to develop computer programs for national use (see sidebar, page 44).

President Reagan's original promise to abolish the Department of Education seems to have gone the way of the one-room schoolhouse.

The department's latest budget fits right into the bureaucratic-political mold: after identifying a "problem," throw more money at it. But as psychologist Barbara Lerner pointed out recently, we *already* spend twice as much per student on education as do our highly touted competitors, the Japanese. In an article in the *Public Interest* she wrote, "If the quality of schooling could be assessed by resources and resource allocation alone, America would lead the world. Per capita public expenditures on education are higher in North America than anywhere else on earth."

Ironically, the Department of Education agrees. A just-released study found a steady decline in educational achievement in the last 20 years, while federal spending on elementary and secondary education increased more than 900 percent and total per-pupil spending in public schools went up nearly 450 percent.

Although the study had been done in conjunction with Bell's regional forums, material from it was not used at any of the meetings. Our sources inside the department confirm that Bell sat on the study for nearly two months to avoid embarrassment to education groups attending the Indianapolis forum.

When Bell finally took the wraps off the study at a late December press conference, he said he expected to get "kicked around" for publicizing the data. To the surprise of several department officials, the findings were released as an "incomprehensible" chart. When we asked one analyst close to the report about its release, he remarked, "I think they wanted people to hang it on their wall rather than understand the findings."

But the findings are simple enough, as are their implications for Washington's education bureaucracy. More money doesn't necessarily mean better education.

No wonder Washington bureaucrats intent on preserving their newly created empire were reluctant to publicize the report. But will its publication, even if deciphered accurately, halt the growth of the Department of Education? Probably not. If there is one lesson to be learned from the ill-fated drive to abolish the Department of Education, it is that government agencies, once established, acquire a momentum of their own that can stymie even the staunchest efforts to dismantle them. Terrel Bell, hired to abolish the Department of Education (or so we thought), soon embraced it as his own, promoting a "new era" of education in America, one in which the federal government figures as prominently as ever—and, if proposals in the works are seized on by the big spenders in Congress, one in which the federal education bureaucracy will play an even greater part. ◧

John H. Fund is a reporter for syndicated columnists Rowland Evans and Robert Novak. Martin Wooster is a Washington editor of Harper's. *This article is a project of the Reason Foundation Investigative Journalism Fund.*

VIEWPOINT

The Perils of Pacifism

BY ERIC MACK

Against the hopes and predictions of many, nuclear missiles have been placed in Western Europe by the US government as a part of NATO's defense of the area. But calls for nuclear disarmament by the West continue.

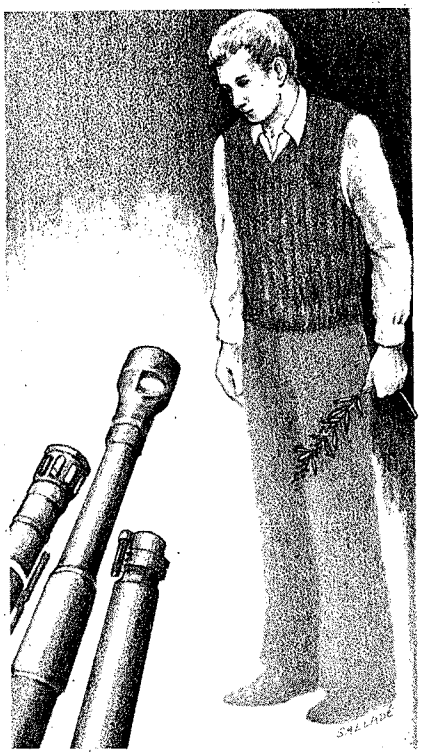
I am not about to defend the controversial decision by the NATO governments to deploy those missiles. That is a matter for military strategists, whose province it is to figure out the best way to defend the citizens of a given area, if defending them is indeed a legitimate purpose. But is it? That is precisely what is at issue in the disarmament debate—what may individuals do, or have done for them, in the defense of their lives and property? And to whom may unpleasant, indeed lethal, things be done?

At one extreme on these questions is the pacifist, who tells us that nothing violent may be done even in the defense of life and freedom. We are, in essence, counseled to surrender *before* evil, to let the aggressor prevail. At the other extreme is the advocate of whatever force is necessary to protect life or freedom. If destroying 25 million Soviet children will effectively secure our lives and freedoms, advocates of unlimited defense would accept such destruction. Thus, we are counseled to surrender *to* evil—to adopt the same murderous mentality we propose to resist in others.

If these are our only alternatives, it's no wonder there's considerable sympathy for the pacifism that is so often to be found behind calls for disarmament. Fortunately, these are not the only alternatives.

Pacifism, in spite of its initial appeal, is incoherent. It is incoherent because it both insists that we all have rights—for instance, rights to life and liberty—while denying that we could have a right to defend our lives and liberties. Yet a right is something one may *require* others to respect. If we possess rights to life and liberty, as most pacifists believe, we may require that others respect our rights. Sometimes the only way to accomplish this is to resist persons forcibly and even lethally. When force, even lethal force, is necessary to defend basic rights, the use of such force is morally permissible.

Against whom? Clearly, the guilty aggressor, acting freely and intentionally, is fair game. But what about the innocent aggressor forced into aggression by his own immoral government? Certainly the innocent aggressor does not *deserve* to be killed. Yet equally clearly, the potential innocent victim need not accede to death or enslavement by an innocent aggressor. Potential victims have a right of self-defense, a right to resist the destruction of their basic rights. It is a great evil



that the government of an innocent aggressor has forced him into attacking others. But that evil does not strip the potential victims of their right to resist.

But what about the hardest case of all—innocent bystanders? What about, for example, Soviet children—may they too be killed in order to secure our rights? If we accept this position, we embrace the murderous doctrine of unlimited defense. However, we need not embrace this brutal alternative.

An attack on innocent bystanders such as Soviet children would not be an act of self-defense, since those children would be no part of any Soviet attack on us. Thus, no right of self-defense could justify directing an attack upon them or could justify strategic policies involving such attacks.

Unfortunately, for decades preparations for such attacks have been central to the US strategic stance, which calls for deterring Soviet attacks by threatening massive retaliation against Soviet population centers. A moral person could not seriously contemplate such strikes nor credibly threaten them.

There is, however, a morally permissible alternative. The most obviously acceptable form of defense would be one designed simply to destroy incoming missiles or bombers (antiballistic missiles, etc.) or to protect us from the effects of an aggressive attack (civil defense). But it is not likely that a purely protective system could be completely effective; so it would have to be supplemented with a strategic counterstrike system capable of destroying the military means by which an aggressor might seek to follow up and profit from his first strike. To be acceptable, a responsive counterforce system must be directed only at military targets and must consist of weapons developed and employed, as much as possible, to destroy only such targets.

A responsive counterforce system might still result in the tragic deaths of many innocent bystanders. Nevertheless, the use of weapons designed to inflict damage on military targets would be justified in the face of aggression. Responsibility for the deaths of, for example, innocent Soviet children killed despite our efforts to achieve a purely counterforce response to aggression would lie with Soviet leaders who had decided to locate their instruments of aggression in the midst of innocent bystanders.

We do not have to be pacifists and bow before evil. Neither must we surrender to evil by seeking the deaths of innocents. To avoid the latter we must adopt a strategic policy radically different from current US policy—one that centers on purely protective capacities and counterstrike weapons that aim only and precisely at the aggressor's military.

Eric Mack teaches philosophy at Tulane University and contributed the chapter "The Moral Basis of National Defense" to the Reason Foundation book Defending a Free Society.

ILLUSTRATION BY SUSAN SALLADÉ

TAXES

Mum's the Word

BY TIMOTHY CONDON

By now everyone knows that nothing's going to be done about today's favorite bogeyman, "the deficit," until after the November elections. This gigantic problem, recently discovered as a campaign issue by the same people who've been causing the problem for the last 25 years, will serve as a perfect excuse once again to screw the American taxpayer but royally. But please, not until after the elections.

After all, *everyone knows* that "the budget can't be cut"—at least not meaningfully: there are too many "entitlement" programs in place with automatic increases already mandated. Can't be touched. Never mind that Congress passed laws that mandate such spending and can very well pass laws ending it. Nope. Not feasible. Some coward might lose his congressional seat.

The result: taxes are going to be increased in 1985 more than any living person has ever seen them explode. They will go up possibly higher and faster than ever in American history. The taxpayer is going to pay, and pay, and pay, and pay. And, to make sure there isn't too much inconvenient complaining by the shirkers and fat-cats (you know, the ones making $15,000 or $20,000 a year), the IRS is going to be given powers that spit on the Constitution.

Therefore, it isn't too early for each and every taxpayer to start thinking about how to react. Here are some rules to start living by:

• *Keep your mouth shut.* Many IRS audits are instituted as a result of overheard comments, or "confidential" tips (for which the spy is paid money, should any be squeezed out of the hapless taxpayer informed upon). You should become very private and very close-mouthed about your financial affairs, whether you are collecting money "under the table" or not. That includes friends, family members, and lovers.

• *Consider rearranging your financial affairs so as to increase your privacy.* There are many ways to do this, but don't take it from me: go get a couple of books that are very good indeed on the subject. *Mark Skousen's Complete Guide to Financial Privacy* is very good (Caroline House Books, 236 Forest Park Place, Ottawa, IL 61350). Skousen gives you an overview of why you should want more privacy (independent of the storm that will soon sweep down upon all of us), and tells you a number of ways to achieve it. A second, more recent book on financial privacy deals specifically with foreign bank accounts, which you may want to consider. *Bank Accounts: A World Guide to Confidentiality*, by Edouard Chambost, is pricey ($31.95, put out by Wiley Press) but worth it if you want seriously to consider a foreign bank account (and there are many reasons why you might want to do this).

• *Understand the government's confiscation apparatus.* Read, for a start, *All You Need to Know About the IRS*, by Paul Strassels, a former IRS agent. This book tells how the government is able to keep most of us scared and cowed, while extracting amounts of wealth that dictators and despots of the past would not *dare* attempt to seize. Armed with the kind of knowledge garnered from this book, you will be in a better position to withstand the government's techniques, both subtle and not-so-subtle.

• *Don't fall for the propaganda barrage that will inevitably materialize.* Sometime between 1985 and 1987 the federal government is going to make a big show of an "amnesty program for taxpayers." All of us will be allowed to confess our sins to the government and turn over large amounts of money, in return for a general amnesty. Several points leap to mind: One, if they could catch you and prosecute, they most certainly would; an amnesty is an admission that they *can't* catch the vast number of people who exploit every possible interpretation of the tax code to hold on to their money. (Moreover, if those people *could* be caught, where would they all be housed after conviction? The state of Montana?) Second, there is no doubt in my mind that if you take advantage of such an "amnesty," your name will go on a computer tape somewhere, and you will be marked for special scrutiny in the future should you ever come to the government's attention again. Third, such a program will rely heavily on unspoken intimidation, and it will be coupled with a much-publicized increase in IRS powers (which would have occurred anyway); if you know how the government intimidates you in the first place (see the books above), then you won't be so fearful that you'll rush to give your money to the IRS.

• *Don't fall for a flat-tax scheme unless it guarantees the government will receive* less *of the people's wealth.* Government lovers of all stripes hate the idea of a "flat tax"; but you're going to see some of them jumping on the bandwagon. Why? Normally, a graduated income tax enables a politician to play off one segment of society against another: "We're not going to tax *you*; we're only going after the *rich fat-cats*," they say (you know this is a lie, but it's worked quite well for governments in the 20th century). With a flat tax, this cannot be done. But if it means politicians can extract even *more* wealth from the people, then they'll go along with it.

Friends, there comes a time when everyone has to make a very fundamental decision. Even today, many people feel that "cheating" on income taxes is wrong. But at some point even those people will have to say, "No more," and begin fighting the government by joining the subterranean economy. In fact, a strong argument can be made *right now* that a majority of Americans have already made that decision. But the conflagration about to descend upon each and every taxpayer is going to make millions more converts.

Under the guise of "reducing the deficit," terrible things are going to happen to anyone who works for a living and pays taxes. Each of us will have to make a decision about how to fight the seemingly unstoppable march of government as it causes ever more economic dislocation, as our standard of living begins another long slide downward. I don't preach to anyone about how far to go, how strong a stand to take, and whether that stand should be public or private.

The only absolute is this: somehow, sometime, a stand must be taken, by all of us. If we fail, then we take our places beside those throughout history who have been exploited by government. And we then cease to be free men and women.

Tim Condon is an attorney and tax specialist practicing in Florida.

SPOTLIGHT

Underground Observer

BY CLAUDIA ROSETT

When Hernando de Soto talks about Peru, he describes a land of Incan legends, of mountains, jungle, and desert, of Indians with high cheekbones and haunting eyes. A classic image of his country.

But de Soto adds a twist. He goes on to talk about Peru as the home of a bustling free-market economy: a dirty, developing El Dorado in which impoverished Indians have become urban entrepreneurs. While many people look at the sprawling slums of Lima and see only despair, de Soto sees a system with great promise for the poor.

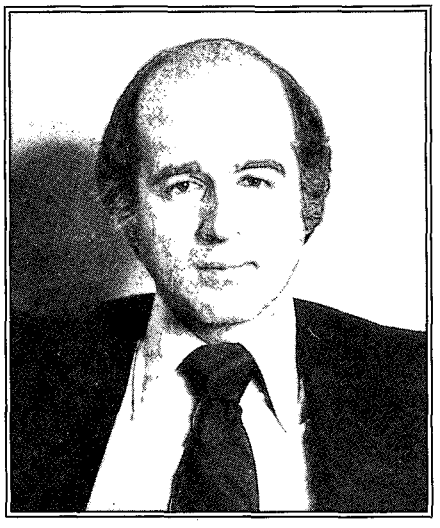
With its mind-boggling network of government regulation, Peru is not generally regarded as a free-market mecca. But the free market de Soto describes is not the official economic system; it is Peru's immense underground economy, which the 42-year-old de Soto has been exploring for the past five years as president of the Institute for Liberty and Democracy (ILD), a free-market think-tank in Lima, the capital.

Born in the city of Arequipa, on the southern coast of Peru, de Soto studied in Europe and spent much of his adult life there. In 1967 he received a masters in economics from the Institut des Hautes Études Internationales in Geneva. He began working toward his doctorate but was lured into a job with the international agency the General Agreement on Tariffs and Trade (GATT), where he worked until 1971. Later he worked for firms in Paris and Switzerland. By 1978, homesick for his own country, he returned to Peru.

In 1980 de Soto founded the ILD, close on the heels of his hosting a symposium, "Democracy and the Market Economy." The left-wing military dictatorship governing Peru had agreed to bow out to an elected civilian government, and de Soto saw a need for broad public discussion of the available economic options.

The 1,200 people who attended that symposium were mostly members of the Peruvian elite, but a few unusual guests participated as well: de Soto invited about 20 chiefs of the street vendors' guilds of Lima. During the conference, he called attention to these street vendors. He told the audience that these people, many of them working outside the law, without state protection or subsidies, were the real entrepreneurs of the country, from whom the rest of the country would have to learn.

"This shocked people," says de Soto. But it delighted the street vendors, who asked de Soto if they could do anything to thank him. "Introduce me to the underground economy," he replied. Thus de Soto began to establish contacts



HERNANDO DE SOTO

in the underground who trusted him enough to talk about their businesses. After two years gathering information, he decided to proceed with a comprehensive study of the underground economy.

In 1981 de Soto organized a second symposium, persuaded Milton Friedman to attend, and threw him in with, among others, newly elected president of Peru Fernando Belaunde Terry, UN Secretary-General Javier Perez de Cuellar, and Peruvian novelist Mario Vargas Llosa. Having explained at this symposium his plan to study the underground, or "informal," economy, de Soto then put together a team of 55 researchers with varying backgrounds. They spent the next two years investigating the underground economy and by the end of 1983 had accumulated 22,000 pages of reports detailing the story of the informal economy.

This inside story turned out to be a shocker. The ILD found that two out of every three urban Peruvian workers are employed in the underground. Most of these workers are Indians, poor newcomers to the cities who lack the connections and funds to cut through the red tape required to set up a legal business in Peru. Instead, they go into business outside the law. Their efforts account for 90 percent of the clothing business in Lima, 75 percent of the furniture business, 60 percent of construction, and 95 percent of public transportation. All this activity substantially raises average per capita income in Peru above the government figure of $900 and has been achieved without state planning or financial help and despite the high costs of evading the law.

The informal sector has its own legal code, which is sufficiently powerful and efficient to enable businessmen to enforce deals that would be impossible to enforce in government courts. Keen competition makes it essential that businessmen uphold their contracts to preserve their reputations. Even off-duty judges hired to arbitrate disputes don't take bribes—if word got around that they were dishonest, they wouldn't be hired.

Armed with his study, de Soto is trying to convince his countrymen that these underground entrepreneurs have created a huge, native market economy that is in many respects more efficient than the legalized sector. Unlike many Latin American advocates of the free market who rub their countrymen the wrong way by pointing to "imperialist" developed countries as role models, de Soto is asking Peruvians to look to themselves to recognize the benefits of the marketplace. "The character here is Peruvian," he says, "but the overall definition is a market economy." De Soto hopes the Peruvian government will cut back the legal jungle and confer formal status on the native market economy.

Although de Soto has set himself a tough marketing job, his efforts are worth watching. Along with his evidence that free enterprise is actually the Peruvian way, he is providing Peruvians with a vision of their own dignity and abilities. Though an unusual approach to the problem of poverty in Latin America, it just might catch on. It has the merit of offering a solution.

Claudia Rosett is a research fellow at the Manhattan Institute.

arts & letters

MOVIES

Reviewed by John Hospers

Star 80

Star 80 is a product of producer-director Bob Fosse (*All That Jazz*), who imbues the film with his usual frenetic energy. The scenes flash forward and backward in quick staccato. The treatment of the theme is merciless and telling.

A victim of the male fantasy to be uniquely macho, the narcissistic Paul Snider (played by Eric Roberts) desperately tries to hang on to the rising starlet Dorothy Stratten (Mariel Hemingway) in STAR 80.

It's the (largely true) story of Dorothy Stratten, a waitress in a Dairy Queen in Vancouver, who is found and pursued by Paul Snider, a would-be entrepreneurial genius in show business who never quite makes it and is constantly inspired by fresh ideas that never pan out. When she outgrows him and wants to separate, he kills her as well as himself.

Mariel Hemingway suppresses her intelligence in this film to play the naive blonde *Playboy* centerfold. But the film revolves around Snider (played by Eric Roberts), a narcissistic punk, a victim of the male fantasies of being uniquely macho, starting at the top in show business, making quick bucks, and having the kind of life that leaves even Beverly Hills behind. What he fails to see is that his obvious maneuvers in pushing himself upward are immediately seen for what they are, and therefore those whom he tries to cultivate (including Hugh Hefner, played by Cliff Robertson) are merely repelled by him. There is no doubt that he adores and worships the girl, but at the same time he is boundlessly ambitious for himself, insanely suspicious, and devastated at the thought that Stratten might rise in her profession and leave him behind. His uncontrollable rages when he confronts her are the chief source of her alienation from him. In the depiction of this devoted but jealous and vengeful suitor, alternating between affection and fury, Eric Roberts delivers a stunning performance.

For cinematic skill, for never letting the tempo flag for a moment, for the virtuoso performance of Roberts, the film is eminently worth seeing. But the view of reality—show business, Beverly Hills cocktail circuit—is so unsparingly pessimistic and its revelation of the human potential for evil so inescapable, that although many people will justifiably *admire* the film, not many will *like* it.

Fanny and Alexander

One of the main functions of fiction, whether narrative or cinematic, is to convey to an audience what it feels like to undergo certain experiences. A few films do this superbly: *Devil in the Flesh* makes one feel wrenchingly the emotion of ripening adolescent love, together with its accompanying problems; *A Place in the Sun* evokes with painful vividness the devastation of sudden loneliness and deprivation; *East of Eden* shows us with unforgettable intensity what it is like to love one's father and be rejected by him.

One of the virtues of the medium of cinema is that, at its best, it can communicate intensely some aspect of the life of human feeling. Most films, however, just present us with the life-situations that generate the feeling, without communicating to us much of the quality of the feeling itself: they aim for the pearl but succeed only in getting the oyster.

Unfortunately Ingmar Bergman's *Fanny and Alexander* belongs largely in the second category. It's about two children growing up in a fairly wealthy Swedish household in the early 20th century. All the external trappings are there, but the gut-level communication of feeling is missing. Once in a while it comes close: when the boy is whipped by his new stepfather, then made to apologize, then forced to assent to its all having been done out of love, the viewer's empathy is at its maximum. But most of the time the viewer is confronted merely with Christmas parties and family trysts and confrontations while the children merely watch wide-eyed at these strange adult goings-on. No particular insight is absorbed, nor is the viewer any the wiser for seeing any of it.

Yet Bergman can do it. There are scenes of great empathetic effectiveness in *The Virgin Spring*, *Wild Strawberries*, and *Autumn Sonata*. He is a master at exploring the interior life, particularly of tormented individuals. But in the new film there is simply panorama and pageantry, with an occasional philosophical aside, with very little communication of genuine feeling in any of it. One deserves more from a film that lasts over three hours.

Sudden Impact

Clint Eastwood's *Sudden Impact* is a continuation of the Dirty Harry series, and in the same vein, only gorier than its predecessors. There's no doubt that Eastwood cuts a striking figure as the honest and conscientious cop who resents seeing killers go free through various technicalities. What he does goes beyond what the Police Department permits, yet it brings vicious men to justice, and it does it with verve combined with moral indignation at the perpetrators.

The moral problem posed by the film is, Under what circumstances should people take the law into their own hands? The liberal press says, "Never," and for this reason it has unanimously berated this film. Yet if a killer threatened them, would they not take action? ("A conservative is a liberal who's just been mugged.") Eastwood at least is a cop,

authorized to track down and arrest felons, even if he stretches the rules in doing so. But his friend (Sondra Locke) is on a crusade of pure vendetta: the rape of her sister 10 years before has put the girl in a mental hospital for life, and Sondra takes it on herself to track down the rapists, which she does with cold and deadly efficiency.

Presumably the law is there for one's protection. But when it doesn't protect, when it is indifferent or corrupt and doesn't bother to arrest the culprits even when it can, what should one do? If one responds, "Take care of it yourself," one must face the fact that private vengeance often results in inordinate punishments; to delicate egos, death could seem an appropriate punishment for the crime of stepping on the aggrieved party's toe. Does a rapist deserve to be shot in cold blood? The film makes a case for the justifiability of individual (albeit illegal) action in such cases when the law fails.

The Basileus Quartet

Many musicians consider the string quartet to be the ideal musical form. In it "the form stands out naked," never obscured by tidal waves of sound.

There is plenty of fine string-quartet music in *The Basileus Quartet.* But that isn't the reason why it is a memorable film; indeed, people who don't much care for classical music still have a treat in store. The quartet music is only a string on which the interrelated beads of plot are hung. It's a richly human story of the four members of a distinguished traveling string quartet. When one of them dies, the quartet disbands. But the lives of the remaining three rapidly disintegrate without a sense of purpose or mission. When a young conservatory graduate offers himself as a first violinist to replace the dead member and thus reconstitute the quartet, the other members, in spite of initial protestations, are secretly delighted.

But the new member, a full generation younger than the other three, while he helps without knowing it to revitalize their lives, also almost wrecks them with the dizzy pace of his youth. Latent impulses emerge in each of them as a result of association with the youthful violinist, and each becomes involved with life in ways that would never have occurred but for him. (The viewer should resist being tipped off in advance as to what these are.) Each member responds in his own distinctive way, and each one soon emerges as a distinct individual, interacting in his own unique way with the multifaceted life of the new member.

There is not a moment in this two-hour Italian film that is not totally absorbing. It is first and foremost a study in human nature—perceptive, unsentimental, yet moving. Even the ambiguous ending adds a touch of bittersweet to the already bittersweet story.

It's a study of youth interacting with age, of ideals and disillusionments, of false hopes and unexpected enjoyments, of life disintegrating and life renewed. The whole is so well crafted, so incisive in its perceptions, so imbued with psychological and philosophical observations, that the viewer receives here a rare cinematic banquet: not only Beethoven and Schubert and Debussy, but Freud and Proust and many others, all immersed in the atmosphere of (successively) Switzerland, Paris, Bavaria, and Venice. Such a fine story, so impeccably done, would rate at the top of the list of 1983 films, except that it was not released in the United States until 1984.

John Hospers is the author of Understanding the Arts. *He teaches philosophy at the University of Southern California and is the editor of the* Monist.

THEATER

Close Encounters Of the Feline Kind

By David Brudnoy

Of cats there is much, though of *Cats* there is somewhat less, to say—after, that is, one has said that the show is still going purringly in London, where it opened in mid-1981, and in New York, where it opened in the autumn of '82 and is sold out until, approximately, the tricentenary. *Cats* has dropped a litter—road companies have begun their captivation of the provincial audiences across the land, and it is or soon will be near you.

One awaits the construction of a theatrical based on the Book of Job—or is there one already? *Troubles,* it would be called, and the script credit would go to God. *Cats,* you see, boasts a most distinguished provenance: T. S. Eliot's almost never-read (there's a reason) *Old Possum's Book of Practical Cats,* which was published in 1939 as something of a courtesy to the distinguished poet-

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playwright-institution, though a fraction of Eliot's "Rhapsody of a Windy Night" and other of the Prufrock poems have made their way into the production, especially into the show's blockbuster, which cannot be escaped these days on the radio, "Memory." It is a gorgeous, albeit tritely emotional, song that is the lyrical work of Trevor Nunn, who, it is solemnly said, included...lines from those other Eliot works, not from the *Cats* book.

I am not suggesting that something bad is to be made of the fact that the Eliot connection to Andrew Lloyd Webber's smash hit is routinely stressed. I do, however, sense that to some who

Jennifer Butt (left) and Sal Mistretta portray the idiosyncratic Griddlebone and Growltiger in the national-company production of CATS, a loving and zestful—if not inspiring—musical.

shell out the nowadays inordinate amount of dollars necessary to see a Broadway show, in Gotham or on the road, the fact that its source is certifiably literary makes it especially appealing. It is to be doubted, along these lines, whether your ordinary see-and-be-seen playgoer in New York City would have devoted two entire evenings of his life to *Nicholas Nickelby* had it not derived from Dickens. Imagine it: a musical with hardly any memorable music except "Memory," set in a junkyard, featuring none but cats (with a guest appearance by cockroaches and a rat and some dogs) all performed by humans, based on the unpublished scribblings of Joe Schmoe. It is not to be imagined.

Still, although *Cats* as the phenomenon of the '80s at the theater is not easily fathomed, it does have its points, among them, in addition to the aforementioned "Memory," a set of such prodigious utility and imagination that it may warrant the second-oldest tattered put-down of theatrical criticism: The audience left whistling the scenery. (The oldest tattered put-down of theatrical criticism is: There is less to this than meets the eye.) Not that whistling the *Cats* scenery is a bad thing, since as the ear begins to weary of a dose and a dose and a dose again of the same tunes, and as the eye begins to feel that the choreography is not notable, then the mind's eye recalls (if one has nodded off) or the actual eye delights in (if one is awake) the amazing virtuosity of the design.

We are in an alley, strewn with junk, which alley extends outward, up the proscenium, and all around. The alley's junk is larger than life, of course, since the cats are done by people, of course, and they are to appear cat-sized, of course, in juxtaposition to the junk. But this alley has wonders, also, beyond the supersized mundane. It has a great circular thing that flashes lights and that descends, giving the audience members who also pay attention to the cinema the unmistakable impression of that humungous mother ship that descended finally at the end of *Close Encounters of the Third Kind.* Our encounter, quite close indeed, of the feline kind is thereby inextricably woven up in the fabric of science fiction.

The set has other wonders to reveal, most of them in the second act, which audiences are strongly urged to try to see, however bored they might be by the first act. For the precocious child, there would be few more sure-fire successful introductions to live theater than *Cats*, and for any child, the second act would surely suffice.

Nothing much happens in *Cats*, but a great deal is talked and sung of. Eliot gave vent, for Lord knows whatever reason, to a kind of unbearable cutesiness in his naming of these creatures, and the show covers great swatches of territory with its opening and closing songs on just the meaning of the names of cats and throughout on a kind of simpleton's delight in simply mentioning the names of the cats. There are, in alphabetical order, Alonzo, Asparagus, Bombalurina, Cassandra, Coricopat, Demeter, Grizabella (she sings "Memory," and she is invariably the star in a cast that resolutely refuses to have said of it that there *is* a star), Jellylorum, Jennyandots, Mistoffelees, Mungojerrie, Munkustarap, Old Deuteronomy (he's the patriarch, and the other cats pay him homage), Plato, Pouncival, Rum Tum Tugger, Rumpleteazer, Sillabub, Skimbleshanks, Tantomile, Tumblebrutus, Victoria, and a chorus of cats thankfully unnamed. Eliot also invented a category of cats called Jellicle cats, whose peculiarities we are instructed in, not that any of it makes the most remote sense.

But they are appealing cusses, these cats are, even as they wander through the audience and muss people's hair and hug folks, especially as a few of the idiosyncratic cats strut their stuff. There is a cat that is a dead ringer for Elvis, a stud of a Tom. There is the magician cat and the forelorn Grizabella who sings—twice, no less—of "Memory," of the lonely moon, of faded glories, of the shadow of beauty that lingers when beauty itself has fled. And there is the cat who used to be a noted thespian and through whose eyes we see a delicious bit of imagination, of his salad days, and another instance of the set's versatility.

Cats, as is now obvious, does not strike me as a particularly inspiring show, especially as its music is from the same hand that gave us the brilliant *Evita* and the breakthrough *Jesus Christ Superstar.* But it is loving, filled with surprise and zest, with characters to recall for a few hours after seeing the show, and with one splendid song. *Cats* is no masterpiece, but it has wonderful appeal; and in today's impoverished theater, that is welcome.

Contributing Editor David Brudnoy reviews the arts for WRKO-AM and is film critic of the Tab *group of newspapers. He is host of a nightly talk program on WRKO, writes regularly for the* Boston Herald, *and syndicates a thrice-weekly newspaper column.*

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BOOKS

A Will to Spend, A Way to Spend

Underground Government: The Off-Budget Public Sector
By James Bennett and Thomas DiLorenzo
Washington, D.C.: Cato Institute.
184 pp. $8.95 paper.

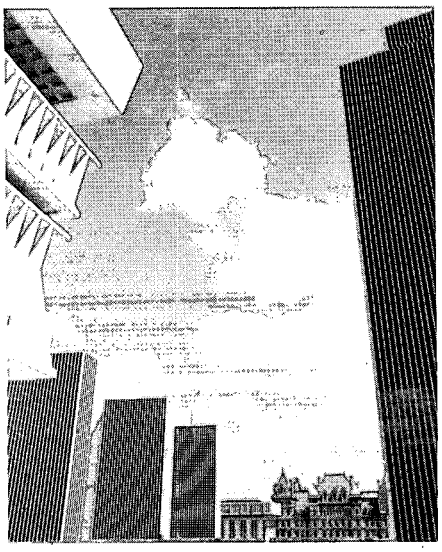
Reviewed by Jennifer Roback

You may have noticed a series of articles by James Bennett and Thomas DiLorenzo appearing recently in prominent newspapers like the *Wall Street Journal.* These articles have addressed a variety of topics, ranging from the failure of the New York City bailout to the fiasco of the Washington Public Power System (WPPS). What all these works by Bennett and DiLorenzo have in common is the focus on off-budget government spending. The growth of off-budget government activity has come to public attention more and more in recent years. Bennett and DiLorenzo, economists at George Mason University, have contributed to this public awareness with their new book, *Underground Government: The Off-Budget Public Sector.* The book collects a large body of material not widely available, and the author's numerous other articles draw heavily on that material.

Perhaps the most interesting chapter in the book is "Empire Building in the Empire State: The Political Legacy of Nelson Rockefeller." The authors detail case after case in which a miffed Nelson Rockefeller created an off-budget enterprise (OBE) to circumvent voter defeat of his spending plans. By the time Rockefeller resigned from office in 1973, the debt accumulated by the various state OBEs was nearly four times the amount of voter-approved borrowing!

One of the political tricks that made this possible was an invention by John (Watergate) Mitchell called the "moral obligation bond." These bonds were issued by state agencies but were not legally guaranteed by the legislature; instead, they were "morally" guaranteed. What this rather Orwellian term means is that it is "incumbent on the Legislature to consider the apportionment and payment of amounts of money. . . ." to prevent the agency from defaulting. Since the legislature is not *required* to appropriate the funds, the debt so issued does not have to be approved by voter referendum. Very convenient; New York voters rejected bond proposals for the Housing Finance Authority, the State University Construction Fund, and the Urban Development Corporation. Rockefeller funded each one of them with moral obligation bonds, issued by OBEs.

Underground Government is more than an exposé, however. The authors attempt to explain the incentives that propel the government toward ever greater spending. The unifying theme of the book is this examination of incentives in the congressional appropriations process and in state and local spending procedures.



The Empire State Plaza in Albany, New York, constructed during the governorship of Nelson Rockefeller and dubbed Rocky's "edifice complex" by critics, was financed with government "off-budget" money.

The authors have two insights that constitute the major contribution of *Underground Government.* The first is that a balanced-budget amendment or even a spending-limitation amendment is not likely to be effective, because much government spending can simply be moved off budget. The second is that the size of the government's budget is a large understatement of the pervasiveness of government. The incentive structure confronting the individuals in the government is crucial to both of these arguments.

Bennett and DiLorenzo make a persuasive case that constitutional amendments will not inhibit the growth of government spending. The exploits of Nelson, the Empire Erector—already recounted—certainly support this contention. The authors present data from several other states to show that "tax revolt" spending limitations are often accompanied by an increased number of OBEs. At the federal level, off-budget outlays seemed to expand rapidly in 1975. The Congressional Budget Impoundment Control Act of 1974 required congressional reporting of revenue and expenditure projections. Bennett and DiLorenzo suggest a causal connection between the budget act and the growth of off-budget federal spending. All of this evidence suggests that Congress would find ways to circumvent the spirit of any constitutional amendments designed to limit spending, as long as political constituencies can be built at taxpayers' expense.

Underground Government also demonstrates that the size of the budget is not a good measure of the pervasiveness of government. When governments routinely hide their activities in off-budget categories, the size of the budget is obviously a gross understatement of the government's impact. The authors make some less-obvious points as well. Government can substantially redirect the community's investment decisions by granting certain companies the right to issue tax-exempt industrial revenue bonds. The subtle effects of this will never show up on any government's balance sheet. Indeed, the subtlety of this policy is the very thing that makes it so appealing to vote-seeking politicians.

The book-length collection of valuable and interesting material has one serious shortcoming: the book needed a good editor. Many passages in the book cry out for further documentation and development. For instance, the authors assert that the Budget Act of 1974 "elicited a great deal of 'back-door spending.' " However, the growth in OBEs could have been caused by any number of factors, a possibility that the authors do not even consider. The arguments have intuitive appeal, yet the analytical and evidentiary support is not always all one would hope for. This will be disappointing to scholars trying to use this book for research purposes.

Other sections, such as the chapter "OBE's Overseas," don't seem to contribute much to the overall theme of the book. This lack of focus is sometimes frustrating to the reader. Despite these reservations, *Underground Government* is well worth reading.

Jennifer Roback is a professor of economics at Yale University and a commentator on the nationally syndicated Perspective on the Economy *radio program.*

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Beavers and Buffalo— A Lesson from History

Natural Resources: Bureaucratic Myths and Environmental Management
By Richard L. Stroup and John A. Baden Cambridge, Mass.: Ballinger; San Francisco, Calif.: Pacific Institute for Public Policy Research. 148 pp. $9.95 paper.

Reviewed by Edwin Dolan

How does the institution of property rights in a society affect the use of natural resources therein? It is only in the last few decades that economists have turned to this issue. In *Natural Resources*, the latest of several books by this pair of analysts, Richard Stroup and John Baden summarize the literature of the economics of property rights as applied to environmental issues. The guiding principle of this approach is that people's interactions with their environment are harmonious or destructive according to the structure of incentives built into the property institutions of their society. The first two chapters of the book outline the argument in general terms, and the remaining chapters apply it to specific cases.

One case that aptly illustrates the whole approach concerns management of wildlife resources by two groups of American Indians. The first group, the Plains Indians, had long made use of the buffalo as a source of meat, hides, bone for implements, and so on. Before Europeans reached North America, buffalo were abundant, although hard to kill. The Indians and the buffalo lived in a stable population equilibrium. With the Europeans' introduction of the horse, steel tools, and firearms, it became technologically possible for the first time to kill buffalo at a rate that exceeded the maximum sustainable yield. On top of this, the white settlers' demand for hides gave the Indians a new reason to kill buffalo.

The Plains Indians reacted rationally to the new pattern of costs and incentives: they killed buffalo at an increasing rate. Unfortunately, rational behavior on the part of each tribe did not lead to efficient management of this resource as a whole. The reason, as Stroup and Baden explain, is that no tribe had property rights to the buffalo. The animals moved at will from one hunting ground to another. If one group of hunters "invested" in conservation by cutting back on the number of buffalo taken, this would mostly benefit others who could then take more; so no conservation efforts were undertaken. The buffalo was hunted nearly to extinction.

Stroup and Baden contrast the inefficient exploitation of the buffalo with the situation of the beaver-hunting Montagnais Indians of the Labrador Peninsula. Before the arrival of white settlers, the Montagnais had treated the beaver as a common-property resource, just as the Plains Indians had treated the buffalo. When European demand created a market for beaver pelts, however, the Montagnais reacted by establishing a system of private property rights to hunting territories. This was possible because beaver tend to stay in the same place, rather than roaming widely. Within an exclusive territory, each hunter had incentives to engage in conservation measures, such as ensuring that each beaver house was always left with a breeding pair. A high sustained yield of beaver pelts was thus made possible.

Spurred by white settlers' demand for buffalo hides and aided by their technology, American Plains Indians hunted the buffalo nearly to extinction, because no tribe had property rights to the creatures.

The lesson that Stroup and Baden draw from the two cases is that property rights and incentives matter. In the remainder of the book, this lesson is driven home with a series of more modern cases. For example, the management of private wilderness lands by organizations such as the Audubon Society and the Nature Conservancy is contrasted with bureaucratic management of public wilderness areas. On the private lands, a balance of uses—including income-producing uses—is accommodated with minimal disruption of the environment.

On the public lands, none of the competing users has an incentive to consider trade-offs. Each group, whether cattle grazers or environmentalists, seeks all-or-nothing use. The bureaucratic managers make their decisions according to political trade-offs rather than according to a concept of maximizing social benefits (however much they may invoke the latter). As a result, they err sometimes in one direction and sometimes in another. Stroup and Baden cite examples of wilderness areas that are destroyed in the process of uneconomic grazing and logging activities. At the same time, other public lands are put off-limits to less-disruptive and more economically justified activities such as mineral exploration.

I have only two criticisms of this generally excellent book. First, in emphasizing problems of bureaucratic management (both in the title and in the content of the book), Stroup and Baden do not always distinguish carefully enough between the legislative branch of government and the bureaucracy. Bureaucrats, too, are rational within the rules of the game that legislatures set for them. A complete picture of the problem of public lands management would need, I think, to explore in more detail the

political origins of the legislative constraints placed on bureaucratic managers. Stroup himself is keenly aware of these constraints in his own work as an economist at the Department of the Interior; perhaps he will have more to say on the subject in future writing.

Second, the book sometimes takes on a tone of preaching to the converted. I am not certain the arguments are presented in a way that will be as persuasive as possible to readers who begin with strong prejudices against private property and the market economy. This is a pity, because there are few areas where economists and environmentalists have stronger reasons to cooperate than in the management of public lands.

Edwin Dolan is an economist. He serves as adjunct professor of economics at George Mason University in Fairfax, Virginia. He is the author of numerous books and articles on economics and coauthored a popular textbook, Basic Economics *(third edition 1983, Dryden Press).*

A Torch for Freedom

The Committed Observer
By Raymond Aron
Interviews with Jean-Louis Missika and Dominique Wolton
Translated by James and Marie McIntosh
Chicago: Regnery Gateway.
290 pp. $17.00.

Reviewed by Laurence W. Beilenson

The influence of intellectuals on politics is nowhere greater than in France. From the end of World War I until recently, that influence was exerted almost entirely via the left, with heavy emphasis on Marxism. The late Raymond Aron—a liberal journalist, sociologist, historian, and philosopher—bucked the trend to take issue with his fellow intellectuals, among them his classmate at the École Normale Jean-Paul Sartre. In many books and articles and as political commentator for *Figaro* (1947–77), Aron steadily combated the Marxism that poisoned French intellectual life.

The Committed Observer, a series of interviews with two young leftists, tells little about Aron's life except as his fine character and utter honesty reveal themselves in his replies. The book, however, tells much about the history of Europe from the 1930s into the '80s, with Aron's torch burning away the obfuscations to find the essence.

History moved like a Greek tragedy from 1933, when Hitler took power, until 1940, when France fell. The underlying condition that paralyzed France in the face of Hitler's advance was the slaughter and devastation of World War I. Anything seemed better than a repetition. After the Munich Pact in which France and Britain permitted Germany to occupy the Sudetenland, all the intellectuals said, "We avoided war, and the mere fact of having avoided it is good." Paul Reynaud alone among the French politicians understood what this meant and was right all through the '30s. But soon after he finally came to power, his government collapsed in the wake of Hitler's invasion, and Reynaud had to relinquish the reins to Marshall Pétain, who went on to govern Occupied France. "Reynaud represents the tragedy of a man destined to be the guiding light of his generation, but who [acceded] to power only on the eve of . . . catastrophe."

Ironically, the catastrophe would have been more severe for France if the nation had not been defeated so soon. The rapidity of the military collapse and the absence of civil war made possible the

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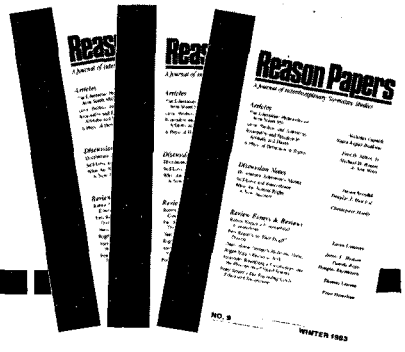

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quick French recovery after the war.

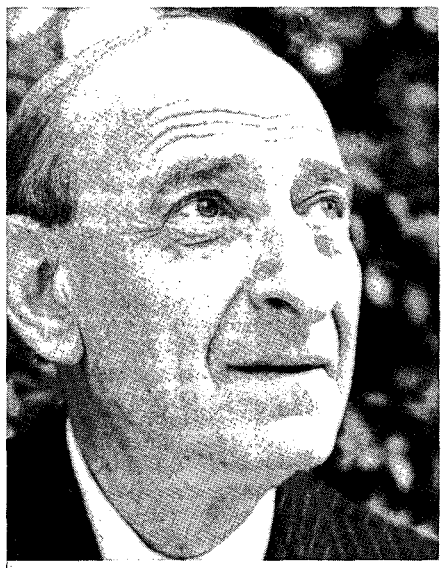
While Aron, who had lived and taught in Germany, could "never imagine genocide" at the time it was occurring, he accepts the shame of the Holocaust. "All the measures that the French might take against the Jews," Aron said, "touched me deeply precisely because I am French . . . before I am Jewish . . . . One of the easiest and most simplistic ways to parry Hitler's propaganda was to avoid proclaiming that the war was being fought to liberate the Jews . . . . [Instead] it was being fought against totalitarianism . . . . Churchill and Roosevelt failed to denounce the extermination of the Jews for the same reason."

Aron rejects what he calls "the legend of Yalta." "It was not because of Yalta that Eastern Europe became Communist"; it was because the Russian army occupied the satellite countries, and the West could not eject them. During the great schism that followed the war, Aron believed that division was inevitable, but war was improbable, partly because—and here Aron is far more perceptive than most commentators—Stalin was and always had been a prudent man.

The events after World War II Aron treats practically: He favored decolonization, but with no sense of mission. The French attempt to hold Vietnam, though an error, was ineluctable because of the surge of French nationalism. The cost in blood and money of holding Algeria was unacceptable. Intervention by the United States in China against Mao Tse-tung would have tragically failed; President Harry Truman and Secretary of State Dean Acheson were correct not to make the attempt. American intervention in the Korean War, however, was necessary as a display of national will. And Aron strongly approved the North Atlantic Alliance and the rearmament of Germany. All these positions represent the politics of the possible. The worst fault of the intellectuals, Aron concludes, is criticism without answering, What would *I* do?

He follows this thesis on detente, cold war, and nuclear arsenals. Detente did not and does not prevent the Soviet Union from taking over any country it can, and a return to "cold war" would not increase the danger of real war. The flaws in the policy of "mutual assured destruction," he saw; he deplores Soviet nuclear superiority; but he contributes nothing original to the nuclear debate. Trade with the Soviet Union has not served detente but "has, rather, increased the military potential of the USSR."

"Isn't there a contradiction," his questioners ask, between this position and his advocacy of helping China? "No," answers Aron. "Unfortunately, foreign policy is a game for thieves and gangsters. When one has a proximate enemy, one tends to help a distant future enemy against the proximate one." No honest student of international history can dispute the first sentence. That the conclusion of the second sentence is wise on the premise of the first is more doubtful.



Raymond Aron: "I seek to determine the economic and social conditions that permit pluralism to survive."

Raymond Aron was a great friend of the United States. He had no use for those who damned both the superpowers.

The essence of his political thought emerges from the writers with whom he identified. Early on he explains to his questioners that although he learned from his stay in Germany "what political life can be when it manifests its horrible side," he tells them he could have reached the same conclusion by reading Aristotle and Machiavelli. "All that was necessary was to understand them well." Toward the end he said: "Montesquieu earlier explained liberalism through sociologic analysis, as did Alexis de Tocqueville and Max Weber. Since I claim kinship with all three—based on a study of modern economic societies—I see the dangers that result from the concentration of all power in a single party. So I seek to determine the economic and social conditions that permit pluralism to survive, that is, both political and intellectual liberalism."

Whereupon his questioners ask him why then he is not a Socialist, since "socialism, particularly social democracy, defends pluralism." Aron answers: "Most Socialists . . . are not as firmly liberal as they should be . . . . A number of French socialists continue to be antagonistic to . . . market forces . . . . For economic reasons . . . I think it is important today to maintain free market forces."

Free minds and free markets at home, resistance to totalitarianism abroad, and the politics of the practical—these are the enduring legacies of Raymond Aron. Without tedious discussion, and through examples from the history of five decades, *The Committed Observer* sheds a shining light on these themes.

Laurence Beilenson, a lawyer, has for many years devoted himself to research and writing. His books include Survival and Peace in the Nuclear Age *and* The Treaty Trap.

The Genesis of the Invisible Hand

The Soul of Modern Economic Man
By Milton L. Meyers
Chicago: University of Chicago Press.
131 pp. $17.50.

Reviewed by Ellen Frankel Paul

In *The Soul of Modern Economic Man*, Milton L. Myers explores an arena usually much ignored in the history of economic ideas, namely, the intellectual environment out of which Adam Smith's notions about self-interest and the division of labor arose. The notion that individuals' pursuit of their self-interest leads to the welfare of society played a central role in the development of Smith's economic thought in *The Wealth of Nations*; but as Myers lucidly argues, this connection was not one posed uniquely or originally by Smith. Rather, Smith was responding to a debate that had been ongoing in the philosophical and intellectual community throughout the 18th century, a debate triggered in large part by the writings of Thomas Hobbes—most particularly, his *Leviathan.*

Hobbes portrayed a human nature almost devoid of redemptive qualities, a nature driven by self-interest to create a socially unfit being compelled by his rapacious self-seeking to war against his fellows. Given such a gloomy vision of human nature, Hobbes's sole hope for social life lay in man's willingness to ac-

PHOTOGRAPH COURTESY REGNERY GATEWAY

quiesce to certain articles of peace that would allow him to escape the brutal, unstable, and precarious state of nature. But the price for this peace was a steep one; for according to Hobbes, only by agreeing to surrender practically all of his rights to an omnipotent ruler could man escape his perfidious condition.

On Myers's account, Hobbes served to inspire his successors, who took his bleak prescription as a challenge. Could man's propensity to concern himself above all with his own welfare lead to positive implications for society as a whole? In other words, if self-interest were not an impulse with such deleterious attributes, perhaps, then, individuals could achieve an accommodation with one another that would not necessitate establishing an absolute autocrat.

By the time we arrive at the writings of Adam Smith, Hobbes's dismal view of man's self-interest has been utterly transformed. Intending only his own gain, man is "led by an invisible hand," wrote Smith, to promote the public interest. Myers strives to discover how this transformation came about, tracing the idea of self-interest through the writings of men not customarily examined by historians of economic thought: poets, writers, and most importantly, moral philosophers. As he pursues his novel quest, Myers discerns four major categories of responses to the problem of how self-interest relates to the public welfare.

In the first, represented principally by Richard Cumberland, a Protestant cleric and author of *De Legibus Naturae*, self-interest is an important motive embedded in human nature but not as yet the most important. Cumberland's explanation for man's sociability relies heavily on the principle of design, whereby nature is perceived as orderly, with mankind constructed to fit comfortably within this patterned universe. Relying on the transcendent laws of nature to ward off the Hobbesian nightmarish war of all against all, Cumberland's man limited his self-interest by another powerful motive: benevolence.

Cumberland's emphasis on the principle of design would greatly influence the next group of thinkers, primarily Antony Shaftesbury and Joseph Butler. Once again, man was perceived to inhabit a harmonious and orderly universe, but the analysis of man's innate motives was more richly developed. For these thinkers, self-interest is implanted in man's psyche but also serves as a motive inducing man to care for the public welfare and leading men to a life of virtue. In fact, for Butler a proper self-love is indivisible from an interest in the welfare of society; our innate mental composition produces a harmony of motives, and thus self-interest and the public welfare are entirely compatible.

The next group of thinkers, which included Francis Hutcheson, Henry Saint John Bolingbroke, and Soame Jenyns, was less impressed with innate psychological motivations and more enamored of quasi-scientific explanations. Impressed by the new discoveries in the physical sciences that served to buttress the principle of design, these men sought to apply the new tools of analysis to man as well as nature. They were particularly intrigued by the possibility of applying the principle of gravitational attraction to an analysis of self-interest; they hoped to demonstrate how self-interest, like gravity, could produce order in the behavior of men.

Finally, Smith's immediate intellectual progenitors replaced analogies between gravitation and self-interest with a more concrete notion: that of the division of labor. For Joseph Priestley and his intellectual compatriots, the division of labor served as the connecting link between man's self-interest and the good of society. By pursuing his own self-interest, his own pleasure, man labors; and the products of that labor serve the needs of other people and hence of society. What separated these thinkers from Smith, however, was their unbridled optimism, faith in the perfectibility of man, and lack of an empirical bent.

Thanks to Myers's careful examination of the work of these often-neglected figures, Smith's seminal work on self-interest and the division of labor can be viewed with a much greater understanding of both his debt to his predecessors and the uniqueness of his argument. While Smith embraced an empirical method and eschewed abstract speculation whenever possible, he did build on the thought of these individuals. To a certain extent, Myers views Smith as a great synthesizer but also as an original thinker who brought economic analysis to bear on the problem of self-interest and the public welfare.

The Soul of Modern Economic Man is a valuable addition to the literature. It does suffer from a few noticeable omissions, however. It is curious, indeed, that if the entire debate on self-interest throughout the 18th century is viewed as a response to Hobbes, one thinker of indisputable importance is left out of the discussion. That theorist is, of course, John Locke. One of the strengths of Myers's work is that he does explore the contributions of frequently neglected figures; yet it seems a shame to ignore Locke, especially since his *Second Treatise of Government* is largely devised as a response to Hobbes. Would it not be useful to hear what Locke had to say about self-interest and the public welfare?

Though Myers has written an interesting, slim volume, that points to a second weakness in the book: Except for a very brief epilogue on David Ricardo, the tale ends with Smith. Yet in his introduction Myers claims that he will trace the soul of modern economic man (his self-interest) through the classical political economists. Perhaps he ended his study too soon, because in the epilogue he contends that Ricardo effectively put an end to the 18th century's fascination with the problem of self-interest and the general welfare. But this is simply not the case. Jeremy Bentham, John Stuart Mill, and Henry Sidgwick, to name but a few of the luminaries, would expend considerable effort on the attempt to differentiate those cases where self-interest does lead to the general welfare from instances in which it does not. For the sake of completeness, it would have been useful for Myers at least to have discussed super-

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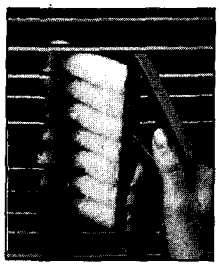

Now a California designer has finally solved the problem of how to clean venetian blinds. This tool has 7 roller fingers, 4" long and covered with a synthetic lambswool that picks up and holds dust and dirt. Pull the trigger and the fingers spread enough to slip over the blind slats (6 mini-blind slats or 3 conventional slats). Release the trigger and the slats are held firmly between the cleaning rollers. Then move the cleaner back and forth along the blind, release and grip the next set of slats. When soiled, the rollers can be removed and washed. **$9.00** ($1.95) #A787. Two for **$17.00** ($1.95) #A7872.

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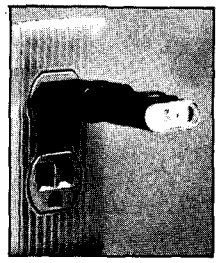

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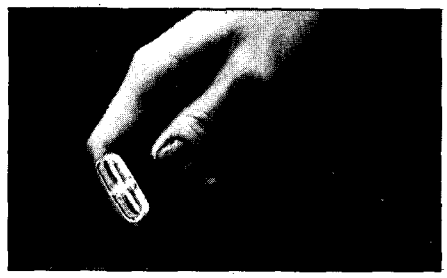
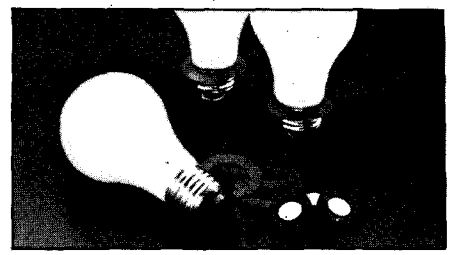


UL LIGHT BUTTONS



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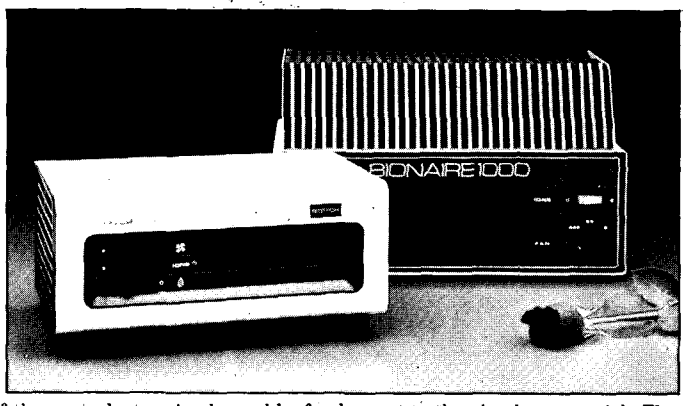

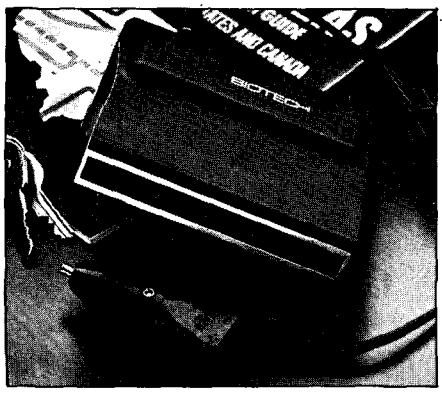

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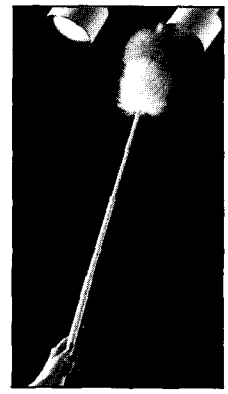

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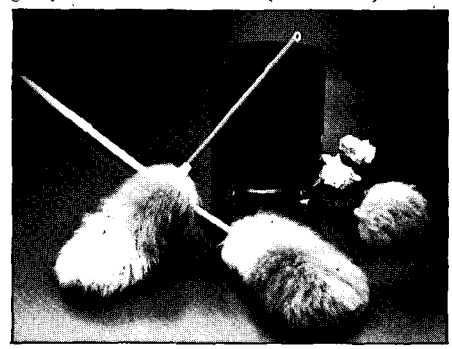

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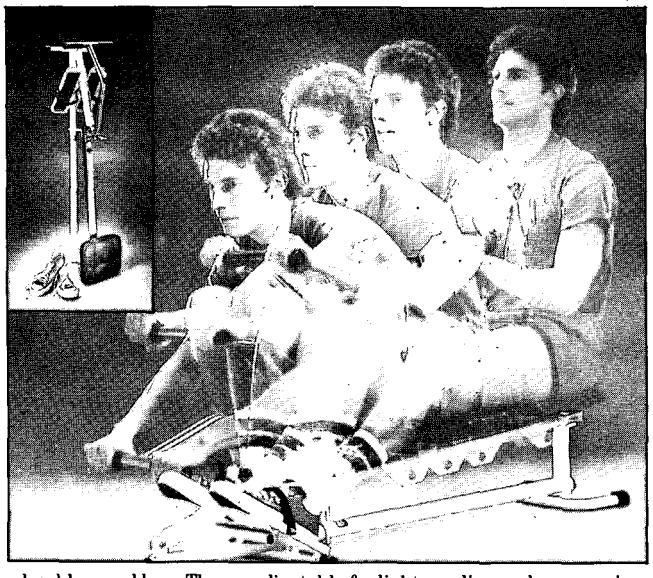

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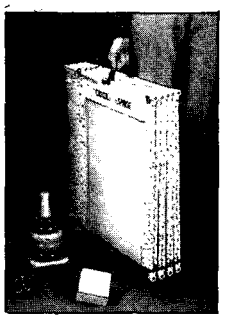

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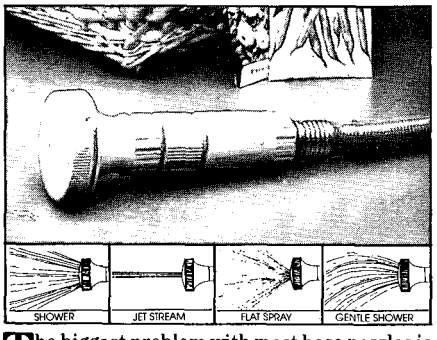

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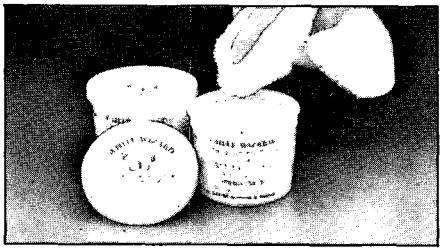

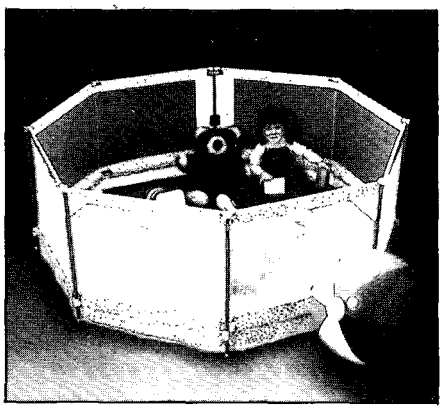

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ficially the way 19th-century figures dealt with his problem. Despite these reservations, the book remains an eminently readable volume.

Ellen Frankel Paul is research director of the Social Philosophy and Policy Center at Bowling Green State University, where she teaches political science.

Mischievous Counsel

The Whys of a Philosophical Scrivener
By Martin Gardner
New York: Quill. 452 pp. $22.50.

Reviewed by Joy Dee Anthony

Seventy-one-year-old Martin Gardner, having retired from his post as columnist-celebre at *Scientific American*, thought it a good idea to put down his beliefs and opinions in a book. At times, *The Whys of a Philosophical Scrivener* reads like the midterm exam of an "A" student. Gardner quotes sources so dutifully that the reader begins to feel exhausted before chapter one is over.

To fill out explanations of his 20 "Whys," including why he is not an anarchist, an atheist, or a Marxist, Gardner culled from his file a lifetime of snippets from the famous. A select public, ready for anything from Gardner's pen (out of respect for his work on mathematical puzzles and paradoxes), may be patient enough for this long credo.

Not I. I found myself counting pages to the end of a chapter, reawakening, and then wondering why the section that piqued my interest had to be so short.

The free will versus determinism issue is a case in point. Gardner states that unfortunately he has not enough space to do justice to the subject. One wishes, then, that he had cut out much of the speculation on topics like paranormalism, whether there is sex in heaven, or whether God intervenes on the micro-level when he answers a prayer by changing the paths of photons and electrons.

Of course these digressions can be entertaining, especially when anecdotal. At his best, Gardner is a superb journalist and raconteur, sifting through memories and philosophies for gold.

Take William F. Buckley's first encounter with philosopher Ayn Rand. Gardner tells us, "Her opening ice-breaker was: 'you ahrr too intelligent to believe in a Gott.' " Then we hear of George Gilder's dog, Laffer. Gilder calls the dog's tail "Laffer's curve."

To commence his book, Gardner explains why he is not a solipsist, one who believes that he or she alone exists. Even that reality may be shaky for some. Gardner relates an incident in which philosopher Morris Cohen was asked by a student: "How do I know I exist?" "Who's asking?" returned Cohen.

Though few would agree with solipsists, Gardner says that the recent interest in quantum mechanics gives even the arguments of a few eminent physicists a solipsistic tinge. To some, these arguments convey the feeling that the external world is an illusion, that solid substances are really only subjective space-time events, imperfectly observed.

One wishes Gardner had cut out much of the speculation on topics like paranormalism and whether there is sex in heaven.

To counter such idealism, Gardner gives three reasons for calling oneself a realist, that is, a believer in a world separate from one's will and perceptions. First, there are pragmatic reasons. To facilitate communication, it is more practical to assume that a world exists separate from one's will and perceptions.

Then there is the empirical argument. Realism is the simplest and most verifiable hypothesis for explaining regularities in nature.

Yet Gardner gives a more important reason for calling himself a realist, and in so doing sets the stage for the remainder of the book. He believes that where the mind fails to decide truth, the heart rushes in, justifiably. Gardner is a pragmatic realist, not just because it's useful, but because he finds it emotionally satisfying.

Commenting on a number of other philosophical conundrums, Gardner often concludes that many such controversies have been primarily semantic. Though this explanation is sometimes reasonable, the repeated appeal to language differences seems overworked. It is almost as if Gardner is saying we all really agree.

Except the economists. Gardner is too much a man of common sense to pretend otherwise in this sticky field. He sees the distinctions, has read Ludwig von Mises, Friedrich Hayek, Milton Friedman, and John Kenneth Galbraith, among others.

As a democratic socialist, Gardner would like to see our economy head towards further governmental intervention. The reasons he gives are scanty. First and foremost, he thinks a technological society means ever larger corporations, with ever greater need for restraint. Gardner would like wage and price controls imposed on big farming, big labor, and big corporations. It's hard to believe he's really read Mises if he fails to see the problems resulting from manipulation of economic signals, and it's hard to imagine that he's read Friedman either. A Nobel laureate with *The Monetary History of the United States* and other serious endeavors under his belt should hardly be likened to a radical mystic. Yet Gardner, certainly no economist himself, not only does so but also criticizes Friedman as if economics were just another field in the realm of personal experience in which he is as competent to judge as any.

He likens Friedman to a chiropractor: someone with a prescription for each of the patient's ills. In the meantime, he notes, "real" doctors advise that the signs are too obscure for diagnosis. Funny, but this is why Friedman advocates a monetary rule. It's too hard to predict the bends and dips in the monetary road, Friedman says—better instead, curtail the manipulative power of the Federal Reserve to throw the economy off course.

The overall theme in Gardner's philosophy is summed up by an ode to the color gray in the book's last paragraph. If in doubt, he counsels, choose a course of action that is not extreme. For Gardner, this implies belief in a socialistic state, in reason influenced by emotions, and in petitionary prayer.

Lord help those who follow his economic advice.

Joy Dee Anthony is a free-lance writer and a correspondent for the Daily Pilot *in Newport Beach, California.*

LETTERS

(Continued from p. 9)
covering the topic so well. Vouchers are, indeed, tempting. The freedom of choice the voucher system offers, however, is a dangerous illusion. He who pays the bills calls the shots (the one notable exception being the taxpayer). Even though taxpayers would in effect simply be getting some of their own money back, the government would view it as *its* money. Experience has taught us that with government money come government strings.

The voucher system in effect will place the government in a position of paying for all education—public and private. The Department of Education, ably assisted by the National Education Association, will then have to set standards for curriculum, teacher certification, and on and on. Indeed, the public will demand it—after all, we can't have taxpayer money squandered on unregulated institutions! The consequence will be a leveling of all schools as they meet government requirements. It doesn't take much imagination to see the end of home schools once the gummy fingers of government invade them as well.

As described by Barbara Morris in her book *Tuition Tax Credits: A Responsible Appraisal*, in the Dutch system mentioned in your article the government determines the curriculum and controls teacher qualification. Some freedom! I encourage everyone to read Barbara Morris's book. Her clear, precise description of past experience and the natural consequences of tuition tax credits and vouchers is chilling and well-documented.

What we really need is the complete excision of government from our schools. Since that is highly unlikely in the near future, we must be especially guarded and suspicious of measures that offer partial relief.

Sylvia Wirth
Jefferson, OR

Ready to Serve

I'm volunteering for the Committee on Repeal proposed by Laurence Beilenson (Viewpoint, March). If liberty is to be enhanced, we must recognize that the enemy is government by confusion and gobbledegook. The total statutes of any jurisdiction should be readable by an average citizen during a 2,000 hour work year, thereby imposing a limit of 60,000,000 words (because most adults read at about 500 words per minute). Each agency should be required to limit its regulations to 10,000,000 words. I have not made word counts of the existing confusion, but I would estimate that such limits would require repealing about 90 percent.

You arouse more interest by damning legislators for excessive verbosity than by employing anarchist arguments in attacking a statute.

John R. Ewbank
Southampton, PA

Right-On Reviewing

Having just completed Paul Johnson's *Modern Times*, a sweeping saga of 20th-century statist sin, I went back to the December special book issue of REASON to reread Ralph Raico's review of it and found the review superb. Raico's analysis of Johnson's regrettable philosophical errors, especially his oft-repeated but ill-defended "pitting [of] 'moral absolutism' against 'moral relativism,' " was quite competent. (Mr. Raico might also have mentioned the queer ending to the book, which, in my ignorance, I found wholly inexplicable and inappropriate.)

But now I should really correct Mr. Raico on another matter. In a recent issue of *Inquiry* Raico denies an assertion that the *Economist* is the best-edited English-language magazine, declaring humbly that "*Inquiry* is that." If so, then why did his excellent review appear in REASON magazine?

David M. Brown
Ithaca, NY

Mergers, Markets, And Morals

Tying together January's "In Defense of the Corporate Coup" by Henry G. Manne and February's "The Virtues of the Market" (Trends), we should ask our liberal friends whether they would be so eager to intervene if socially conscious companies sought to "monopolize" the market by acquiring not-so-socially-conscious companies.

Christopher Miller
Lima, OH

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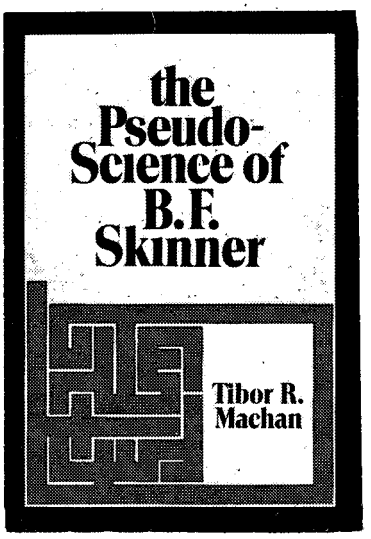

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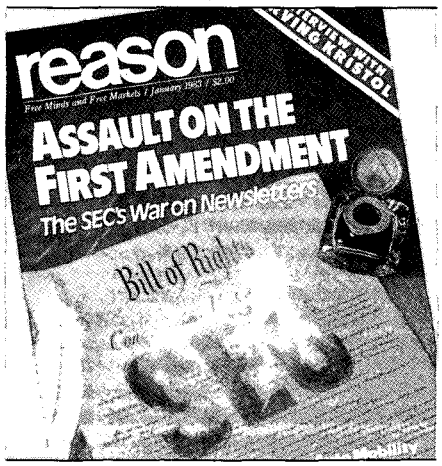
Further & More

DE-PRESSING DECISION

In their article "Assault on the First Amendment" (Jan. 1983), attorney-writers Michael McMenamin and William Gorenc, Jr., exposed the Securities and Exchange Commission's persecution of, among others, newsletter publisher Christopher Lowe. When US District Court Judge Jack Weinstein ruled last year that Lowe could *not* be barred by the SEC from publishing an investment advisory newsletter because of his criminal record, civil libertarians applauded the decision.



But the SEC appealed Judge Weinstein's decision to the US Court of Appeals. And this year, on January 18, the Second Circuit Court, by a 2-to-1 decision, reversed Weinstein's decision, ruling that Lowe's publications are engaged in practices not protected by the First Amendment. A dissenting judge affirmed Lowe's First Amendment rights, stating that "investment opinion, in my opinion, is as much speech protected from prior restraint as is political opinion, philosophy or gibberish." Lowe and his attorneys are appealing the decision to the Supreme Court.

The Lowe decision and its implications for First Amendment protection of so-called commercial speech is an issue that is gathering a lot of attention. *New York Times* writer Tamar Lewin recently devoted a column to the subject, noting that "any Supreme Court decision that financial advice is protected by the First Amendment might require basic changes in the securities laws, especially since prior restraints"—that is, the authority to bar someone from engaging in an activity such as publishing investment advice—"are implicit in the registration and disclosure requirements enforced by the S.E.C."

Moreover, *National Law Journal* reporter John Riley also recently discussed the Lowe decision, pointing out the present degree of confusion and debate over First Amendment protection of "commercial speech." Riley noted the possibility, voiced by some experts, that the decision could set a precedent "to give only limited protection to forms of expression that might otherwise be entitled to nearly absolute protection." Because of this confusion, some observers believe the Supreme Court will agree to hear Lowe's appeal.

WEAPONS AGAINST TESTING

Two years ago, REASON published a dramatic exposé of shoddy testing of new weapons by the Pentagon and uncovered some of the high-priced duds that were produced as a result ("Fighting with Failures," April 1982). In the wake of that article, Congress passed legislation sponsored by Sen. David Pryor (D-Ark.) creating a new office of operational testing and evaluation in the Defense Department. But Michael R. Gordon recently noted in a column in the *National Journal* that the Defense Department has "defined the mandate of the new office so narrowly that it has all but defined operational testing out of existence."

In her REASON article, defense analyst Dina Rasor described how "operational testing has been so deformed by the Pentagon bureaucracy and pork barrel pressures that soldiers continue to end up with weapons that will fail them on a battlefield." It appears that not much has changed. Gordon reported in the *National Journal* that Defense Secretary Caspar Weinberger's deputies have defined "operational" testing so that it applies only to *completed* systems—or systems that are "fully representative of the initial configuration of new weapons," as one directive put it.

Advocates of better testing have noted that this excludes *preproduction* operational tests. And ordinarily, by waiting until production of a weapon begins, " 'constituencies' in the defense industry, the services, and Congress have developed," noted Gordon, "making cancellation politically difficult or impossible" if the weapon falls short in tests. The constituencies are described by former Pentagon official Russell Murray—"the research and engineering community—both military and civilian—that have committed themselves and their reputations to the new weapon,... the industrial firms whose profitability depends on its production,...[and] the employees whose jobs depend on it."

An aide to Senator Pryor told REASON that in the wake of the scandal surrounding deputy Defense secretary W. Paul Thayer and his replacement with William Taft early this year, the political fortunes of operational testing in the Pentagon may improve.

AND MORE

• *Hope for homeowners.* REASON's December 1982 cover story ("Self-Help Housing") reported on the efforts of the Pittsburgh-based Housing Opportunities, Inc. (HOI); to enable low-income families to "earn" their own homes, a program largely based on local charitable and private-sector initiative. HOI now reports that another of its programs—one designed to help out-of-work delinquent mortgagers keep their homes—is achieving impressive results, again primarily with private support. The Home Ownership Protective Effort (HOPE) program, largely supported by a number of Pittsburgh-area lending institutions and a utility company, offered financial counseling to 235 families who faced foreclosure last year because of delinquent mortgage payments. The organization reports that none of the 235 families lost their homes—in fact, the mortgagers made payments 47 percent in excess of what had been targeted.

• *Getting off the trough.* As taxpayer funding for public television and radio is shrinking, Trends has reported that nine public-TV stations began accepting advertising on an experimental basis and earned a total of $4 million in the process (Jan.). Now comes word that a group of these stations has asked Congress to authorize a *national* three-year experiment with limited airing of commercials.

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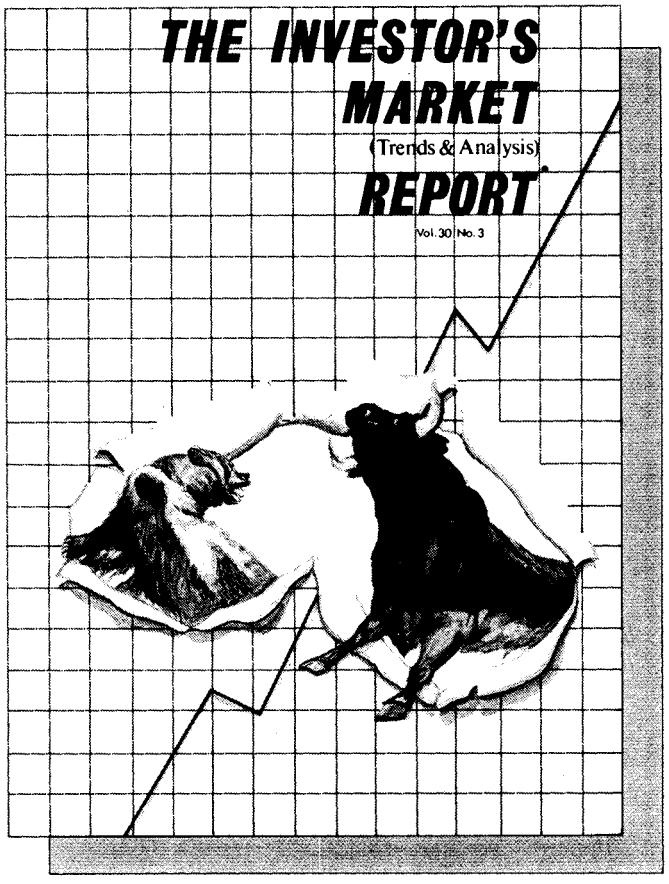

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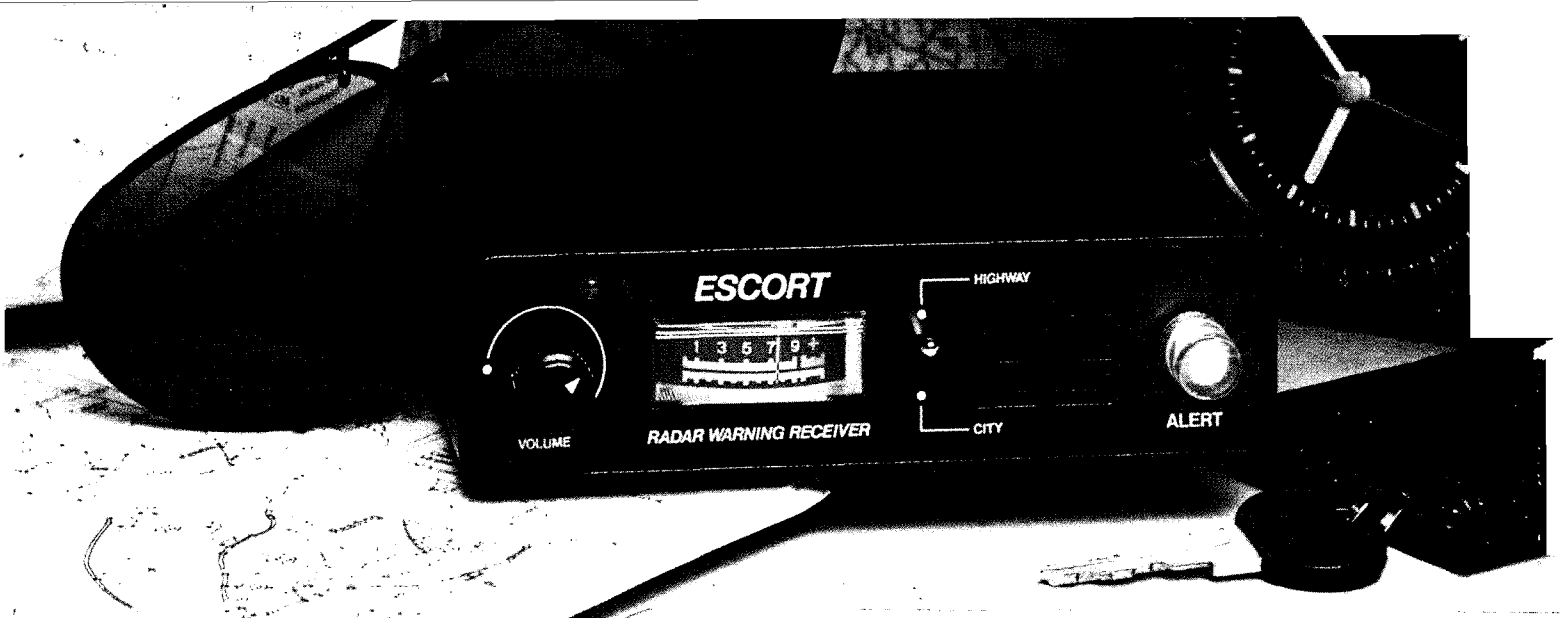

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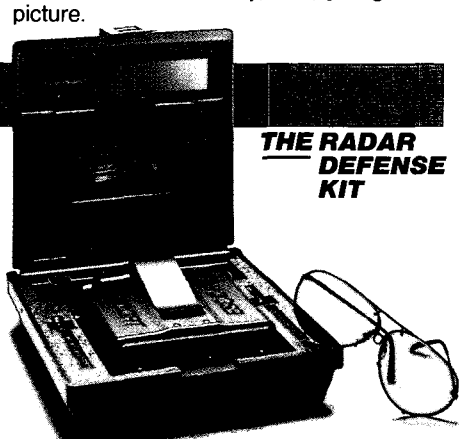

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